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ROYAL COMMISSION

ON

TRANSPORTATION

HEARINGS

HELD AT

OTTAWA

VOLUME No.

14

DATE

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MEMORANDUM OF ERRATA

VOLUME 13

Page 1824 - line 26: For "1,091" read "191"

VOLUME 14

Page 2016, line 29: For "is" read "in"

Page 2019, line 29 For "should" read "could"

Page 2028, line 20 For "solvency" read "prosperity"

Page 2029, line 5 For "rate" read "great"

Page 2036, line 26 For "land" read "line"

Page 2054, line 19 For "I think that are elements in
that"
Read "I think there are elements
- in that"

Page 2070, line 16 Insert "water" between "a" and
"route"

Page 2097, line 11 For "Spokane" read "Slocan"

Page 2104, line 10 For "1958" read "1938"

Page 2119, line 25 Insert "a" between "schedule"
and "as"



Page 1948 - Second line:

For "reply" read "regard".

Page 1913 - Line 17:

For "point you wish them to consider and
Exhibit 54 is"

Read "point you wish them to consider.
A. Exhibit 54 is"

Page 1914 - Fifth line from bottom :

Insert "to" between "construct" and "definite".

Page 1962 - Line 10:

For "restoring" read "destroying".



Page 1948 - Second line:

For "reply" read "regard".

Page 2083 - Lines 20 and 30:

For "Government" read "Company".

Page 2102 - Line 11:

For "acceptable" read "susceptible".

Page 2104 - Line 15:

For "concerning" read "surrounding".



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Exhibit No. 53:	Document entitled "Construction costs of Crow's Nest line"	1894
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ROYAL COMMISSION ON TRANSPORTATION

Proceedings of hearings held in
the Court Room, Board of Transport
Commissioners Offices, Ottawa, Ontario,
on the 9th day of December, 1959.

COMMISSION

Mr. M. A. MacPherson, Q.C.	Acting Chairman
Mr. H. Anscomb	Member
Mr. R. Gobeil	Member
Mr. H. Mann	Member
Mr. A. Platt	Member

COMMISSION COUNSEL

Mr. A. G. Cooper, Q.C.	
Mr. G. S. Cumming	
Mr. H. W. Ellicott	- Advisor

Mr. F. W. Anderson	Secretary
Major N. Lafrance	Assistant Secretary

In the absence of The Honourable Mr.
C. P. McTague, Q.C., Mr. M. A.
MacPherson, Q.C., presided.

Commissioner A.H. Balch was also
absent.



Ottawa, Ontario,
Wednesday,
December 9th, 1959.

--- On commencing at 10 a.m.

THE ACTING CHAIRMAN: Yes, Mr. Hume.

MR. HUME: Thank you, Mr. Chairman.

CROSS-EXAMINATION BY MR. HUME:

Q. Mr. Edsforth, I might say it is a great pleasure to have the opportunity of discussing again certain matters in regard to transportation with you, and I know better than to try and lead you into waters where I would be quickly out of my depth. There are one or two things which arise out of the cross-examination by my learned friends that I thought I would like to speak to you about, and the first point is one purely for my own information, and this, perhaps, I should know, but I do not. With respect to the Crow's Nest Pass rates about which we have been hearing, do they, Mr. Edsforth, extend east of the lakehead under any circumstances?

A. No, they do not, Mr. Hume; not east of the lakehead.

Q. Your grain and grain products moving, say, from Regina to Montreal are subject then, I take it, to two rates -- one to the lakehead, the Crow rate, and then a second or new rate that takes over from that point on?

A. Yes, that is so, if it moves all rail.



Q. So I may take it then that so far as the Crow's Nest Pass rates are concerned the Bridge subsidy does not provide any direct benefit to the railways, but that on movements extending east of Fort William and Port Arthur there is a certain indirect benefit on the movement of grain by reason of that subsidy?

A. The Bridge subsidy does not provide any benefit to the railways, Mr. Hume. It is for the benefit of the shippers. It does not apply to grain -- to the Crow's Nest grain -- nor does it apply to grain at all. I think under the Board's ruling, grain and grain products are excluded under the Bridge subsidy.

Q. Thank you. My next point, Mr. Edsforth, arises from something that Mr. Frawley was discussing with you yesterday, and this is nothing other than to just clear the record with respect to this matter. At pages 1718 to 1723 of the transcript of yesterday -- and I do not think you are going to need the transcript, Mr. Edsforth, for my question -- Mr. Frawley was discussing with you the figure that was referred to in the Railway Association brief of 10 years ago, namely, the loss of \$50 million to trucks. May I make it clear to you, Mr. Edsforth, that this reference to the loss to truck competition relates not only to the for-hire trucks but also to the private trucks?

A. I would certainly think it applies to both, Mr. Hume.



Q. Whatever revenue is not gained by the railways by reason of inter-city truck movements, there is a substantial inter-city truck movement by the private shipper shipping freight in his own vehicles?

A. Yes, that is so, but how substantial it is I could not say.

Q. I notice in the Dominion Bureau of Statistics figures that were published in 1957 it is shown that so far as registrations are concerned that the for-hire trucks represent 5.6 per cent of the registrations, and that the private inter-city trucks represent 25.8 per cent of the registrations. Would those figures appear to you, from your information, to be reasonably accurate?

A. Well, I would think if the Dominion Bureau of Statistics have it then those figures must be reasonably accurate. Of course, those are, as you say, registrations only. It does not give any information as to the carrying capacity of the trucks.

Q. Well, the Bureau's figures indicate that in addition to the registrations the net ton miles of the 5.6 account for 48.3 per cent, whereas the private inter-city trucks account for practically 34 per cent?

A. Yes, that would sound about right to me.

THE ACTING CHAIRMAN: Mr. Hume, down in the Maritimes it was suggested that probably the



D.B.S. figures on trucking volume were not very good because the truckers unfortunately, do not always report.

MR. HUME: Yes, Mr. Chairman.

THE ACTING CHAIRMAN: Is that your view?

MR. HUME: I would agree with that, and the D.B.S. publication makes it quite clear in its introduction. I was going to say to Mr. Edsforth when he answered my question that if those were the D.B.S. figures he would accept them, that there are certain limitations on those figures which the D.B.S. are the first to recognize.

THE WITNESS: Yes. Well, I would not dispute them.

MR. HUME: Q. However, this competition that is spoken of includes for-hire competition and private competition?

A. Yes, that is so.

Q. The next point is in Volume 11 of the transcript at page 1477 where, in your evidence in chief --

A. Yes, I have it, Mr. Hume.

Q. You were discussing near the bottom of that page the material that appears, I think, at about page 24 of your precis; the question that certain statutory rates could not assume increases and that, therefore, the rates on other commodities go up, and that competition takes part -- or, at least, becomes interested in the commodities at that point?



A. Yes, the rate increases make more traffic susceptible to more competition from other modes of transportation.

Q. Do I understand the position you are making with respect to that is that the permitted increases are all borne by freight other than grain and grain products; that therefore the rates go up on the other freight and that other competition steps in and takes part of that freight?

A. It has a better opportunity of doing so, Mr. Hume, yes.

Q. I just want to make it clear in this context you are only referring, I presume, to that kind of competition where price is the only factor?

A. Yes, I am talking of it in terms of price, Mr. Hume, of course.

Q. You will agree with me, sir, that there are movements made by some of your competitors where price is not necessarily a factor, but where, for example, door-to-door service is the determining factor?

A. There can be no question about that, Mr. Hume. Service does enter into it, but price is a very important feature. People are interested in what they pay.

Q. Yes, and I think your experience, as you have indicated, shows that?

A. Yes, it does, indeed.

Q. And then you develop from that point -- and this goes on to the next page of your evidence, and it is still dealing with page 24 of your precis.



As I understand your position it is that if the statutory rates had absorbed part of the increases there would have been less impact on the remaining freight and, therefore, the area of competition, you indicated would be less?

A. That is my opinion.

Q. Yes. May I suggest, Mr. Edsforth, for your consideration that the reverse might have been true in that if the grain rates had gone up the 157 per cent, or whatever per cent it is that you are --

THE ACTING CHAIRMAN: I think, Mr. Edsforth, for the record, and for the information of the Commission you might indicate what your pick-up and delivery service is now -- that is, your pick-up and delivery on l.c.l.

THE WITNESS: Yes, we have quite an area of that, Mr. Chairman. Would you like the particulars of it?

THE ACTING CHAIRMAN: Yes, just for the record.

THE WITNESS: Yes. Well, I can describe it fairly generally. We have a --

THE ACTING CHAIRMAN: It has come up in the door-to-door suggestion.

THE WITNESS: Yes, sir. We have pick-up and delivery services in Ontario and in Quebec for l.c.l. freight. It is not from and to all stations, but it is from and to the more important ones where we have been able to make contracts for the pick-up



and delivery, or the door-to-door service. We also have some pick-up and delivery areas in the Maritime provinces -- New Brunswick and Nova Scotia. Then, from southern Ontario into northern Ontario we have certain pick-up and delivery services available, as well as in the Prairie provinces within defined limits and in British Columbia as well. Generally speaking, we do have pick-up and delivery services for l.c.l. freight between most of the important stations within defined areas, but not necessarily on the long haul traffic such as east to west.

THE ACTING CHAIRMAN: And the Canadian National has the same service?

THE WITNESS: Yes, sir, they do.

COMMISSIONER MANN: Just to complete the picture, Mr. Edsforth, with effect from November 30th you instituted a pick-up and delivery service on l.c.l. freight between certain Maritime stations and points in Quebec and Ontario?

THE WITNESS: Yes, that is so, Mr. Commissioner Mann.

THE ACTING CHAIRMAN: I hope you will pardon the interruption, Mr. Hume, but we wanted to get that on the record.

MR. HUME: Yes, Mr. Chairman.

Q. Just dealing with the pick-up and delivery service which the railways operate on their l.c.l. traffic it is very much the same as the large motor carriers operate in that they pick up with pick-up trucks and take it to a central terminal,



and there divide and redistribute their --

A. Yes, that is so so far as less than carload traffic goes, Mr. Hume.

Q. Yes. I had reference to this situation, which I hope you will agree with to this extent, that there are certain movements where the shipper does not want his merchandise handled except at his factory door; where the inter-city transport loads at the factory door and it goes directly to the consignee without any intermediate handling?

A. You are speaking there of truckload freight, are you?

Q. Yes, truckload.

A. Yes, although we do in some cases provide door-to-door service for carload quantities of certain commodities. We have such a service with respect to newsprint, as you are aware.

Q. So that we are perfectly clear as to what we are talking about, there is an area where service such as the type which I have just described is sometimes the determining factor rather than mere price?

A. Service is sometimes one of the determining factors.

Q. Now, Mr. Edsforth, may I again direct you to your evidence in-chief which appears at page 1478 of Volume 11. I have stated to you what I understood your evidence to be. What is your suggestion as to whether or not the reverse situation which I shall now put to you might



not be true, that if the grain rates had gone up the 157 per cent, or whatever proportion of that percentage you were able to in fact apply, the area of competition instead of being smaller might have been greater, as it might have included grain?

A. That I would doubt.

Q. That you would doubt?

A. Yes.

Q. Is it not true in the United States there is a substantial truck movement of grain and grain products to export points?

A. Yes, a substantial movement in certain areas for certain lengths of haul, Mr. Hume, but you must remember that in the United States the rates are sometimes $3\frac{1}{2}$ or even more times as high as the Crow's Nest rates to Fort William.

Q. That is correct, yes --

A. There is quite a difference there between an increase of the size you mentioned going from a base of a half-cent a ton mile and what is in effect in the United States.

Q. That, Mr. Edsforth, is precisely my point, that if the grain rates had gone up as they have in the United States that the area of competition instead of being less might have been greater because your competition might then be interested in that movement?

A. If they had gone up to that level, but what you are suggesting is nowhere near that level.



Q. Well, as I read your evidence -- yes, in answer to my friend Mr. Brazier, you were talking about the Crow rate to Vancouver and the export rate. One was, as I recall it, 70 cents and the other was 20 cents, and you made the remark somewhere in the evidence that this would indicate the level to which it might have gone if there had not been the statutory hold-down?

A. No, I said it simply indicated the disparity between them. I did not say they would have gone to that level. As a matter of fact, our domestic rates on grain in Western Canada are quite a bit higher than the Crow's Nest level, as that illustration indicated, but I do not think we ran into very heavy trucking competition in the West. There is some, I will agree, from nearby points on short hauls. There may be some trucking into the milling elevators.

Q. What do you call a short haul, sir?

A. That is a sort of relative thing, but I would say within, say, a radius of 50 or 75 miles -- maybe even a little longer.

Q. Now, Mr. Edsforth, I notice also in my homework that looking over this D.B.S. publication they lump in with their agricultural context a great many things other than grain and grain products?

A. Yes.

Q. I notice in this that the average haul of agricultural products by motor vehicles -- this is just for the for hire motor vehicles -- is



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(Hume)

very nearly 600 miles. Would you call that a long haul or a short haul?

A. I would call that a fairly long haul, but that takes in vegetables and fruits, and things of that nature, originating in the Okanagan Valley which does move considerable distances to the Prairies by truck.

Q. So you will agree, then, that there is a potential -- that 50 or 75 miles is not the limit of the truck competition in the hauling of grain or grain products?

A. No, I did not say that, Mr. Hume, but it will depend on the rate level.

-

-

-



Q. Of course, that is the answer?

A. Yes, that will have a great bearing on it.

Q. As far as grain is concerned, would it not be your opinion that if grain had been permitted to absorb a normal increase from 1899 to the present time, that the area of competition may have been broadened and the grain may be of interest to your competitors?

A. Well, you are going back now to 1899, and that is not something that we are contemplating at this moment. It may be so. I still don't think that the motor carriers, especially the for-hire carriers, would have been interested in the hauls of the lengths required to Fort William from Regina, around eight hundred miles.

Q. What about some points in Manitoba of around 400 miles?

A. Well, there might be a little bit from there, I don't know. Then, of course, Mr. Hume, you must remember that the elevator situation is not altogether conducive to truck unloading. There is a matter of purchase of unloading facilities, and there is a physical problem as well.

Q. As a matter of fact, in the past -- and I understand it is happily terminated -- there have been some difficulties at the lakehead in getting the trucks unloaded at all?

MR. SINCLAIR: Or the cars.

THE WITNESS: There is the same problem on the cars.



MR. SINCLAIR: Demurrage.

THE ACTING CHAIRMAN: We have heard of that.

MR. SINCLAIR: We have real problems with demurrage; powerful interests.

MR. HUME: Q. My next point deals with, again, something that was said to Mr. Frawley yesterday and which occurs at page 1754 in Volume 13, and again I don't think you will need it to be able to answer my question. Mr. Frawley was discussing the fact that certain commodities were absorbing rate increases and that competitive rates and agreed charges were concentrated in eastern Canada, eastern and central Canada, and I got the impression in reading it that the implication appears on the record that this is the only place in Canada where you have this device; is that the case?

A. I certainly didn't get that implication, but if it was there, such is not the case. We have agreed charges, many, many of them in western Canada, and competitive rates, too, as well as a large body of competitive rates and agreed charges between eastern and western Canada.

Q. Mr. Frawley says at the bottom of page 1754:

"I put it to you that there are many, many rates in eastern Canada, agreed charges, that are returning bare out-of-pocket costs plus some small contribution to overhead and a long way from full costs, because you have that kind of rate disparity."



A. Yes.

Q. And I just wanted to make it clear on the record that you do have competitive rates in western Canada?

A. Very much so.

Q. And you have agreed charges?

A. Yes. The motor truck competition is very pervasive all through western Canada.

Q. And what about the maritimes?

A. Yes, we have competition there, too.

Q. Would you say that the impact of these competitive rates and agreed charges on the whole freight rate picture is principally centred in western Canada or is there a similar impact in western Canada and the maritimes?

A. It is pretty well distributed all across Canada, Mr. Hume.

Q. When you receive a certain permissive increase, you indicated in your evidence that only a portion of that can be recaptured because of competitive rates, and so on?

A. Well, we try to put the general increase on the competitive rates and hold it where we can, but we can't always do so because of competition.

Q. And are there situations in western Canada where you similarly can't put the increase?

A. Yes. I wasn't only talking of eastern Canada; I am referring to all over Canada.

Q. So that if the record seems to imply



that this hold-down by competition is centred in the central part of Canada, what would you say as to that?

A. That is not the situation at all.

THE ACTING CHAIRMAN: It would be more intense, probably, in central Canada?

THE WITNESS: Well, Mr. Chairman, yes. Of course, there is a greater intensity of population, perhaps, a greater network of highways, but I must say, Mr. Chairman, we are finding that motor truck competition is growing and increasing very rapidly in western Canada.

THE ACTING CHAIRMAN: It started in central Canada because highways were better?

THE WITNESS: That is so, sir, but it is growing in the west, too.

MR. HUME: Q. On a pure revenue ton-mile basis is the effect the same in western Canada as in central Canada, or what is the situation?

A. Well, it is pretty hard to generalize, Mr. Hume; of course, we have to meet competition as we find it, but by and large I would say that there wasn't a great deal of difference.

Q. By and large there is not a great deal of difference?

A. No. Of course, you have to take commodity by commodity and it is hard to say.

Q. We are only speaking, I suppose, generally on the average this morning, that is all we can do?

A. Yes. It is pretty hard to average



it out, because you can't average competition.

Q. Somewhere the day before yesterday you said, I think to my learned friend Mr. Frawley -- I haven't got the page number, but you indicated that statutory rates presented a greater problem than your highway transport competitors, but do you recall a remark -- I could look it up, but it was something to that effect -- you were saying, I think, whether or not your greatest difficulty wasn't highway competition, and you said no, that statutory rates presented a greater problem than your highway competitors.

A. Yes, I think I said something to that effect.

Q. I just wanted to ask you, Mr. Edsforth. I suppose that is the cause, in the first place, with respect to statutory rates you feel that you are powerless to do anything about that?

A. Well, they can't increase it, but we can charge competitive rates when the competitive conditions change.

Q. Your highway transport competitors can be handled, I suppose, by the imposition of a competitive rate, which you can put in without any authority; you put it in as it is deemed expedient for you to do so?

A. Well, we have to file our tariffs with the Board of Transport Commissioners, and they are subject to question at any time, but we can meet competition as we find it.

Q. And then you have one more string



to your bow, you can make an agreed charge which will provide that a certain percentage of the traffic be shipped by rail; you can do that?

A. Yes, we can make contracts just as the motor carriers can.

Q. I suppose the final thing you can do, you can buy out the competitor if he gets too troublesome?

A. Well, there is a limit to how far you can go on that.

Q. But the only trucking company I can think of that may have come anywhere close to buying the railway, you reversed the procedure and bought the trucking company in eastern Canada; isn't that so?

A. I don't know what you are referring to there.

Q. I am referring to Smith Transport.

A. Yes.

Q. My last point deals with something in the joint submission, which is Exhibit 45, and I wonder if you would be good enough to look at page 9, paragraph 26, and you are quoting there from the Royal Commission on Canada's Economic Prospects, which is usually referred to as the Gordon Commission?

A. Yes.

Q. It is a quotation at page 285 of that report?

A. Yes.

Q. This appears in the joint submission



of the Canadian Pacific and Canadian National railways. May I ask you, as the Vice-President in charge of Traffic, whether or not you agree with the quotation that appears in your joint submission?

A. May I take a moment to read it over?

Q. Yes, certainly.

A. Well, I don't know that I altogether agree with reimbursing the transportation enterprises for services that are uneconomic.

Q. Well, who would you suggest might be reimbursed, then?

A. Well, I think as in the case of the statutory grain that it should be the shipper who would be reimbursed in order to permit him to pay reasonable rates.

Q. Well, then, that leads me to the next question; if you feel that the shipper should be reimbursed, then should the shipper be free, if the situation develops in the future -- and I think you indicated yesterday it is very difficult to prognosticate what is going to happen over the next one hundred years -- should the shipper be free to take that subsidy and choose whatever transportation media he desires?

A. It all depends, Mr. Hume, on how that subsidy to the shipper is directed; if it is directed to take care of the rail situation, then, of course, it has to be used for that purpose.

Q. And to that extent, Mr. Edsforth, may I suggest to you, then, it would be strictly a rail



subsidy?

A. So far as what we are suggesting here, that is so, Mr. Hume; I don't think that as a rail subsidy it is the payment to the shipper to enable him to move his grain by rail at fair and reasonable rates.

Q. Would you feel that no other transportation media should have an opportunity to also enjoy that subsidy in the future?

A. Well, it would depend on their own conditions in the case they could make for it.

Q. I take it that you have some reservations as to the quotation which appears in the joint submission to the extent you have indicated?

A. Well, I think that is reasonably what I have just pointed out, and that is, if there is to be a reimbursement to the shipper for an uneconomic service, then I think it has to be proven he is performing a service that is uneconomic.

Q. And if it can be established that a competitor who is also able to provide the service and might do so at an uneconomic rate, should he similarly be reimbursed?

A. It would be up to the competitor to make his own case.

Q. The competitor having made his case that his service is uneconomic, would you think he should have the same treatment as the railways got?

A. Now, I don't know what I can answer to that. That would be up to the people who were



considering the matter. They would have to make the decision, not me.

Q. So far, then, as your present position is concerned, and I think we understand each other perfectly, what you are presently asking for is a payment that would be confined strictly to the railways?

A. A payment to the shippers which would be confined to the rail movement on grain, we are talking about, yes.

Q. And whatever payment he got, he couldn't use it for any other purpose than to ship by rail?

A. I don't think it would be necessary for him to, and I don't think it should be; if it is allocated for that that is the way it should be used.

MR. HUME: Thank you very much.

MR. FRAWLEY: I think the record should be made quite clear that my friend Mr. Edsforth said that this is a payment to be made to the shipper, and this is the first time in all of the precis I have read where that statement appears that this payment is to be made to the shippers.

MR. HUME: I am very delighted with the answer, and that is what I was hoping Mr. Edsforth would say.

MR. FRAWLEY: Perhaps Mr. Sinclair can clarify this; are those to be made to the shippers to use to pay the freight rates?

MR. SINCLAIR: The position of the railways is very clear; that is, that the rates that the shippers would pay would remain under the control of



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Edsforth, cr-ex 1860

Parliament and at their present level until Parliament decided to change them, but in addition the statute would provide that the difference between what would be a just and reasonable level for moving grain by rail would be paid on behalf of the shipper to the railway.

(Page 1863 follows)



THE ACTING CHAIRMAN: Well, I think it is reasonably clear what the railway wants, Mr. Frawley.

MR. FRAWLEY: Yes. They want these words put in every check on behalf of the railway -- or, the shippers.

MR. SINCLAIR: I didn't think that Mr. Frawley was under any misapprehension, nor did I think my friend Mr. Hume was under any misapprehension, and I am sure Mr. Edsforth wasn't at all.

THE ACTING CHAIRMAN: The Commission understands what you are saying.

MR. SINCLAIR: Yes, and I am sure we will have an opportunity of elaborating this at a later date.

THE ACTING CHAIRMAN: I am sure we haven't heard the last of it.

We are sorry to say that Mr. Brazier has had to leave and go back to British Columbia owing to bad news in that he has learned of the death of his sister, and I think for the record we would all want him to know of our sympathy for him.

Mr. Smallacombe, I think you are appearing now, are you not, for Mr. MacDougall?

MR. SMALLACOMBE: Yes, I am replacing Mr. MacDougall on behalf of the Canadian National Millers' Association, watching briefs, sir.

THE ACTING CHAIRMAN: Mr. Wood?

MR. WOOD: Thank you, Mr. Chairman.



CROSS-EXAMINATION BY MR. WOOD:

Q. Mr. Edsforth, I have very few questions. I am sure you will agree, Mr. Edsforth, that the ground has been very thoroughly covered.

The statutory rates of which we have been speaking have been in effect, with minor fluctuations up or down, for a period of some 60 years, and in your evidence, and particularly in reply to my friend Mr. Mauro, you said, I believe, that they were down for some 15 years and they were up approximately three or four years during the 1920's, and then during the 1930's, during the depression years, they more or less remained constant because the railway costs had gone down, and during the 1940's, during the war period, with the exception of certain wage increases, I believe you mentioned other prices were frozen more or less.

Now, during the 1930 period when the railway costs went down, Mr. Edsforth, did the statutory grain rates go down at that time?

A. No, they did not change, Mr. Wood.

Q. So that for the first 50 years at least, I gather from your evidence as well, that no particular complaint was made by the railroads with respect to those statutory rates?

A. Well, I think there was quite a bit said during the 1922 hearings before the Parliamentary Committee.

Q. Yes, and as a result of that the



rates did go up.

A. No, it was shortly after that that the rates were restored to what is now the statutory level.

Q. From then until some time after the second war was any other complaint made, Mr. Edsforth?

A. You mean an official complaint, Mr. Wood?

Q. Yes.

A. I don't know of any official complaint being made on it, Mr. Wood.

Q. To put the matter perhaps in proper perspective, is it not fair to say that the rates of which the railroad is now complaining were, in fact, rates with which the railroad lived quite comfortably for at least the first 50 years of their existence.

A. I don't know that you could say they lived quite comfortably, but we did get along. We certainly did not wish the rates restored to their present level in 1932; we were not very comfortable about that.

Q. Now, with respect to the table which you show on page 17 of your precis, you have shown an increase of 157 per cent. As a matter of information, could you tell me if that percentage has been applied to the class rates?

A. Well, as to the class rates, Mr. Wood, in general the percentage increases have been applied, but in 1955 there was a general revision



of the class rates under equalization proceedings of the Board of Transport Commissioners, so that it wouldn't be right to say that all of the class rates had gone up 157 per cent; they have not.

Q. Perhaps to be more specific, I believe that the class rate applicable to grain is in the column 30, the column 30 rate?

A. That is so.

Q. Would you tell me what percentage that has increased since the war.

A. Since 1948?

Q. Yes.

A. Between what points, Mr. Wood, because it varies?

Q. It is not subject to just a general increase?

A. No, because of the equalization I just mentioned. Under equalization class rates generally in Western Canada were reduced and in Eastern Canada generally increased, so there is a variation.

Q. Can we confine it to the Western area?

A. Yes.

Q. Would you give me that figure?

A. Would you like between two representative points, which is the best thing to do?

Q. Say between Regina and Fort William.

A. Yes, I think I have that here, if you will just bear with me a moment.



MR. SINCLAIR: Maybe Mr. Wood would like to go on while the helpers are looking it up.

MR. WOOD: Mr. Sinclair, that is my last question.

MR. SINCLAIR: If that is all, maybe I have one or two questions.

MR. WOOD: With this one exception, that I wanted also the comparative rate, say, between Montreal and Toronto in the same column 30.

THE WITNESS: I don't know if I have all of that here.

THE ACTING CHAIRMAN: Is there any further cross-examination?

MR. SINCLAIR: I would like to say to my friend Mr. Wood that we will look it up and either put it on the record or file a statement on column 30, class rate, from Regina to Fort William and between Montreal and Toronto, 1948, before the 21 per cent increase and as it exists today.

THE ACTING CHAIRMAN: Mr. Sinclair, are you having another witness dealing with piggy-back?

MR. SINCLAIR: Yes.

THE ACTING CHAIRMAN: I think we would be very interested in that.

MR. SINCLAIR: It all depends what the Commission have in mind.

THE ACTING CHAIRMAN: In the operation.

MR. SINCLAIR: Oh, in the operation. Yes, we will have a witness on that.

THE ACTING CHAIRMAN: I mean, Mr. Edsforth, of course, knows the whole field.



MR. SINCLAIR: Yes, he knows the rate aspect of it, but we will also have a witness at a later stage, as far as talking about the development of piggy-back on Canadian Pacific and how it operates and matters of that kind. I just have one or two questions in re-examination.

COMMISSIONER GOBEIL: Mr. Edsforth, in the cross-examination of Mr. Brazier yesterday you gave some answers which were a revelation to me. I must admit that I am a fresh man in railroad matters, but when he asked you about rates from Port McNicoll to Montreal and the East you specified that to Saint John the rate was half a cent, which is the same rate as Crow's?

THE WITNESS: Half a cent per ton mile, that is so.

COMMISSIONER GOBEIL: And, of course, this is not compulsory?

THE WITNESS: No, it is not.

COMMISSIONER GOBEIL: How is this rate so low? Is it a result of competition?

THE WITNESS: Those rates have been historically maintained from Canadian bay ports at the same level as rates on grain from Buffalo to New York. In other words, it is what we call a port relationship arrangement whereby we endeavour to keep our Canadian ports on a rate relative to the United States ports, so the measure of the rate from Port McNicoll is really based on the rate from Buffalo to New York.



COMMISSIONER GOBEIL: It is not a question of competition at all, it is a question that you have to go by some kind of an agreement with the United States?

THE WITNESS: Well, it is because of competition in this way, that it is port competition, competition between sea ports. This has a long history behind it; it has been recognized by the Interstate Commerce Commission as well as by our Canadian Board, so that when rate increases are granted to traffic moving through United States ports our Canadian Board authorizes the same increases to the rates that are related thereto to Canadian ports.

COMMISSIONER GOBEIL: And the same thing would apply to your rates to Montreal and Three Rivers?

THE WITNESS: Yes, and to the Quebec cities.

COMMISSIONER GOBEIL: You said that you tried to change that?

THE WITNESS: Well, we are reviewing it to see how the situation stands. It is a matter of very careful study. There are many things to look at, because it is an important -- it is not a large part in terms of dollars --

MR. SINCLAIR: Would you speak louder, Mr. Edsforth, so that we can all hear.

THE WITNESS: -- in terms of dollars and in traffic it isn't really large. For example, from Port McNicol¹ to Montreal in 1958 our revenue



from this grain amounted to some \$1,184,000, and to west Saint John, \$1,828,000. So in terms of volume it isn't large. Nevertheless, ships coming into the ports do look for grain as a fill-out cargo, so it is essential that grain be there for them. Now, to what extent shipments emanating from the Seaway are going to change the picture, we do not know as yet. Certainly the United States lines have made some change in their export rates because of Seaway competition. We also have this new elevator built at Baie Comeau, which I believe is designed to handle grain during the winter months for overseas shipment. All of these facts must be looked upon. It is rather a complex study.

COMMISSIONER GOBEIL: On the same subject when Mr. Brazier was questioning you on page 1811, he asked you if those revenue figures pay their full costs?

THE WITNESS: Yes.

COMMISSIONER GOBEIL: And you said Montreal does and Three Rivers, too, and at Three Rivers you gave .77?

THE WITNESS: .77, that is right, sir.

COMMISSIONER GOBEIL: And in the West with one cent it is just covered?

THE WITNESS: Yes, because you have to look at the traffic in terms of its relationship to the whole, and in the West the grain traffic, amounting in revenue to some \$35 million and requiring almost a quarter of our total work, is the basic



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Edsforth, cr.ex. 1871
(Wood)

traffic of the plant. Now, certainly in the East one could not look at the grain moving from Port McNicoll, Montreal, Three Rivers and Saint John in the same light; it is not the basic traffic of the plant.

COMMISSIONER GOBEIL: You mean to say that the more volume you handle of a commodity the more expensive it will become per ton mile?

THE WITNESS: No, not necessarily that, sir, but you do have to look at it in terms of the cost it is incurring on the line. In other words if traffic is just a small proportion it is not requiring as much of the total work in proportion as the basic traffic like the Western grain.

COMMISSIONER GOBEIL: Thank you, sir.

(Page 1875 follows)



COMMISSIONER MANN: So we have some continuity in the record, may I just ask a few more questions on the At-and-East grain rate. That would be in the nature of a competitive rate, would it not? It has competitive elements in it?

THE WITNESS: There are competitive elements in it. It is port competition and the competition of moving our grain from Bay elevators to the Buffalo elevators.

COMMISSIONER MANN: You indicated with Baie Comeau in the picture and the possibility of other elevators on the Lower St. Lawrence or Atlantic coast. This might become carrier as well?

THE WITNESS: It is difficult to say at this time.

COMMISSIONER MANN: You are giving it some thought?

THE WITNESS: It is a matter that requires study and we are giving it that.

COMMISSIONER MANN: You do not expect competitive rates to pay the full cost?

THE WITNESS: It will depend upon the volume of the traffic, whether we can look at it as incremental traffic or not.

COMMISSIONER MANN: But there are many competitive rates and agreed charges that you normally would not expect to pay the full cost: as long as they return something to overhead you are satisfied?

THE WITNESS: Well, we, of course, want



to get full costs out of them if we can. Now, we cannot always do that and if it is incremental traffic you can afford to carry it, otherwise if it is not you cannot.

COMMISSIONER MANN: There is nothing unusual about a competitive rate not paying its full costs?

THE WITNESS: Not all of them do, that is sure.

COMMISSIONER MANN: Now, may I return to something that you discussed with Mr. Hume, the movement of grain by motor carrier. I think you mentioned that this was not a significant element in western Canada where the grain moves under the domestic grain scale.

THE WITNESS: In relation to the total I do not think it is.

COMMISSIONER MANN: Do you have any significant grain movement by truck in Ontario?

THE WITNESS: Yes, there are some movements by truck, a few of them in the southwestern part of Ontario. We have some agreed charges in there to meet these.

COMMISSIONER MANN: I was going to ask you that next.

THE WITNESS: We have some.

COMMISSIONER MANN: But you will agree with me when I suggest to you that these are all very short movements?

THE WITNESS: Yes, they are what I term short-haul movements.



COMMISSIONER MANN: They would be no more than within the range of 150 miles or thereabouts?

THE WITNESS: Generally speaking. There may be one or two that go beyond that but most of them are in a very short range.

COMMISSIONER MANN: The situation is somewhat different in the United States where you have a longer distance movement of grain by truck?

THE WITNESS: There are some fairly long hauls of grain by truck in the United States, that is so.

COMMISSIONER MANN: Would that have anything to do with the agricultural Commission clause in the United States?

THE WITNESS: Well, I think it does. I think that has a significance all right. To just what extent that affects it I could not say. Certainly the fact that the trucks carrying agricultural products are not required to file their rates with the Interstate Commerce Commission might have something to do with it.

COMMISSIONER MANN: Would these operations in the United States be on a buy-and-sell basis ?

THE WITNESS: I have heard that; I could not say from my own experience. There is a good deal of that done where a man may bring in a load of grain and then buy something and take it back and sell it. I have heard of that happening.

COMMISSIONER MANN: Now, under the proposal



made by C.P., truck competition would not become a factor, would it?

THE WITNESS: In the movement of grain?

COMMISSIONER MANN: Yes.

THE WITNESS: I do not think so.

COMMISSIONER MANN: So you would have, if your proposal became accepted, you would have a rather large block of erosion-proof traffic. If that happened I would not expect any erosion or any attrition.

THE WITNESS: Or any attrition.

COMMISSIONER MANN: I think you gave the English language those two words.

THE WITNESS: Well, I do not know ---

COMMISSIONER MANN: I refer you to Exhibit 47, page 13, paragraph 40.

THE WITNESS: Yes, I have that.

COMMISSIONER MANN: The first sentence there:

"Under the statutory grain rates the progression for mileage blocks is not regular." Could you tell the Commission whether there is a scale underlying the present grain rates and if so how that was built up?

MR. SINCLAIR: I do not mind at all Mr. Edsforth doing this, but we are calling a witness on this specifically.

COMMISSIONER MANN: Very well, I will withhold that.

MR. SINCLAIR: I suggest that you get his answer but we will be going into it more fully.



COMMISSIONER MANN: I will take your answer and perhaps we might pursue it with the next witness. There is a scale underlying the rates?

THE WITNESS: They were not made on a scale, no, they were made as specific rates from defined areas or groups, as it were.

COMMISSIONER MANN: Is there a progression? It is not by mileage; is it by subdivision?

THE WITNESS: Well, it is more or less by areas, I would put it that way, grain-growing areas. For instance, you have a rate of 14 cents from Winnipeg which takes in the area around Winnipeg; then you move to Portage la Prairie and you have another area with another rate. They seem to be graded by starting with Winnipeg as a key and then gradations of one cent per hundred pounds for certain defined groups. I do not think it was done on any scientific carload basis.

COMMISSIONER MANN: Perhaps I will follow that up with the other witness when he appears.

Now, on page 24 of your precis you say:

"With each succeeding freight rate increase a greater proportion of the railways' traffic becomes more vulnerable to this type of competition."

"This type" has reference to motor carrier competition in the context?

THE WITNESS: Yes.

COMMISSIONER MANN: Now, if it had been possible to have had lower increases since 1948



would there have been less competition?

THE WITNESS: I think there would have, yes, because our rates would not have reached the high level and, therefore, certain of the traffic would not have been as attractive to our competitors.

COMMISSIONER MANN: Then you would have had to publish fewer competitive rates and agreed charges?

THE WITNESS: Yes.

COMMISSIONER MANN: And the converse would be true, you would have a larger parcel of normal rates?

THE WITNESS: Yes, normal class and commodity rates -- that is my belief.

COMMISSIONER MANN: Would you go along with this, under those conditions there would have been a better yield from authorized freight rate increases?

THE WITNESS: I think so.

COMMISSIONER MANN: Because there would be less erosion and less attrition?

THE WITNESS: Yes.

COMMISSIONER MANN: I think in answer to a question by Mr. Frawley -- it appears at page 1816 of Volume 13 -- you stated that it was your view that the percentage of increase which stands now at 157 per cent might have been somewhat in the order of 112 to 115 per cent?

THE WITNESS: Yes.

COMMISSIONER MANN: How did you arrive at this figure?

THE WITNESS: Well, that would be arrived at by starting right back from the first freight



rate increase and including the grain in the traffic to which the increase would apply, and work up from there.

COMAMMISSIONER MANN: You see, I have a little difficulty, because if you had done so you would have required smaller increases and smaller increases, as we agreed, would have led to less erosion, so I cannot escape the conclusion that increases would have been even less than 112.

THE WITNESS: Well, that might be so but that calculation was based on the figures as submitted by the Board in the various rate cases.

COMMISSIONER MANN: I think that is all I have.

THE ACTING CHAIRMAN: Mr. Platt?

COMMISSIONER PLATT: I have nothing.

MR. FRAWLEY: Mr. Chairman, arising out of the questions of Commissioner Gobeil, may I ask a question?

THE ACTING CHAIRMAN: Yes, certainly.

CROSS-EXAMINATION BY MR. FRAWLEY (Cont'd):

Q. I want the record to be quite clear. You say that the rate from Montreal -- from the bay ports to Montreal, I think you took Port McNicoll, is .88 cents per ton-mile and it pays its full cost?

A. Did I make that statement?

Q. That is on page 1809, where you gave the figure to Mr. Brazier. You quoted the rate and then the mileages and said on page 1809:



"After taking care of some elevator absorp-
tions it is .88 cents per ton-mile."

That is the rate to Montreal. Then, you turn over
two pages to page 1811 where the question was asked:

"Q. Would it be correct to say on the
basis of the ton-mile revenue figure which
you have just given to me that none of those
movements pay their full cost?

"A. Well, I think the Montreal one does
and the Three Rivers one, too."

A. Yes, I said I thought so; I could not
tell you exactly.

Q. All right, I want to know whether you
are qualifying that answer that a rate which returns
you .88 cents in eastern Canada pays you your full
cost but a rate that returns you in western Canada,
that rate is published at one cent before it pays you
your full cost?

A. That all goes back to what you and I
were discussing yesterday as to whether the traffic
is basic to the plant or not and that makes the
difference.

Q. With all these qualifications I want
the record to be quite clear, basic plant or not
basic plant. You tell me that you have to have
one cent to haul the grain from Winnipeg to Fort
William because that is its full cost and you are
willing to take it from Port McNicoll to Fort
William and it costs .88 cents and that is its
full cost?



A. It all depends on the factors that go in to make up the full cost; you have to see what the proportion is.

Q. Then one more comparison: you say the Three Rivers one does too?

A. I said I thought it did, Mr. Frawley.

Q. Perhaps I had better not pursue it. You do not want to go on the record definitely now?

A. I have not definite figures; I cannot give you exact figures.

THE ACTING CHAIRMAN: One question only that I want to ask: I think, Mr. Edsforth, you said yesterday that in 1958 there were 373 million bushels of wheat moved by the railways?

THE WITNESS: Yes, sir.

THE ACTING CHAIRMAN: Now, how much of that was moved by the C.P.R.?

THE WITNESS: I do not know whether I have that figure but I think I can get it and I will be happy to do so.

THE ACTING CHAIRMAN: Thank you, if you can get it.

RE-DIRECT EXAMINATION BY MR. SINCLAIR:

Q. On the basis of the cross-examination of Mr. Brazier, Commissioner Gobeil also had some questions concerning At-and-East rates from Montreal to Port McNicoll. As I recollect it, this morning you said that it all goes to the question of what traffic was basic to the plant when you were dealing with this?



Now, did you have in mind, or did you not, the pattern of the movement?

A. Well, yes, the pattern of the movement as it has relation to the haul and the extent to which the facilities of the operations are geared to handling that traffic, yes.

(Page 1887 follows)



Q. With regard to the type of traffic and movement, does that affect the cost?

A. Well, the extent to which branch line versus main line hauls are concerned -- that would have an effect.

Q. Yes. What is the situation on traffic from Port McNicoll to Montreal?

A. Well, there is a short branch line haul out to the main line, and then it is main line from there on.

Q. And you were taking that into consideration in your answers, were you?

A. That would certainly be one of the considerations in getting the cost.

Q. Now, Mr. Edsforth, Mr. Hume had evidenced some interest, and has asked you certain questions, concerning truck competition on grain, and as I recollect your answer to him this morning it was to the effect that you did not think that truck competition would be a material factor. You mentioned the fact that you had domestic grain rates in Western Canada, and it was not a material factor there, as I recollect your evidence. Why did you think that comparison provided an answer to Mr. Hume's question?

A. Well, Mr. Hume, I think, was referring to the difference between the domestic and the export rates, and I took it from his question that he thought if the export rates or statutory rates were at the same level as the domestic rates that



it might lead to a movement by motor carrier.

Q. Well, what rate would that be per ton per mile on domestic grain?

A. Well, domestic grain runs over two cents a ton-mile.

Q. And what is the proposal of Canadian Pacific?

A. One cent per ton-mile.

Q. That is on grain moving to export positions?

A. Yes, for very long hauls, too.

MR. HUME: Excuse me, Mr. Sinclair; Mr. Chairman, in order to be clear, does Mr. Sinclair mean that the Canadian Pacific is asking for one cent per ton-mile, or that the rate be fixed at a just and reasonable rate which may go up or down as the elements of cost go up or down over the years? Is it to be fixed at one cent?

MR. SINCLAIR: Mr. Hume is suggesting what he is instructed to suggest in the briefs before the Commission. I will help my friend in saying this, that these submissions show why a just and reasonable level for grain moving to export positions would be one cent. The submission also says that as these costs increase the railways would -- that is, if they moved materially up and down -- have that rate move up and down so that the difference would be taken care of by the solutions and in the manner we suggested.

THE ACTING CHAIRMAN: You are not suggesting



a fixed rate for all time?

MR. SINCLAIR: Of course not.

MR. HUME: Thank you.

MR. FRAWLEY: So to that extent the Crow's Nest base rates are definitely being disturbed.

MR. SINCLAIR: The Crow's Nest rates -- I thought I had made it abundantly clear so that my friend would not be misled, or that he, by his remarks, may not mislead anyone else, which may be more important, that the Crow's Nest rates, as they are so-called, or the statutory grain rates would remain, so far as the Canadian Pacific proposal is concerned, and also the Canadian National proposal is concerned, for all time. Our proposal is one-half cent per ton per mile on the average.

MR. FRAWLEY: It is clear now that the Federal Government's contribution might go up and down, but --

MR. SINCLAIR: Yes, so the farmers' payments are not concerned.

THE ACTING CHAIRMAN: The Treasury would be concerned.

MR. SINCLAIR: The people of Canada would possibly be concerned -- yes, the Treasury; that is the people of Canada; I am sorry, sir. I have one final point, with your permission, Mr. Chairman.

Q. Commissioner Mann used a phrase and said that under the proposal of the railways there would be a large segment of traffic that was erosion-proof and attrition-proof -- that is, under the



proposal of the railways concerning the solution they had in regard to this very important grain issue.

A. Yes.

Q. I am not trying to use his exact words, but they were to that effect?

A. Yes.

Q. Is traffic that moves for long distances at one cent per ton per mile erosion and attrition-proof no matter how or what kind of traffic it is?

A. It is so far as motor truck competition is concerned, yes; not so with regard to water competition, of course.

Q. And is there any way, to your knowledge as a traffic man, and as a Canadian, of moving traffic from Regina to the lakehead by water?

A. I do not believe that is possible, sir.

MR. SINCLAIR: That is all I have, Mr. Chairman.

THE ACTING CHAIRMAN: I think, Mr. Edsforth, that is all, and we thank you very much for your help. The Commission regards you and your evidence with great respect. Mr. Sinclair, you may be calling Mr. Edsforth back later?

MR. SINCLAIR: We will certainly arrange for Mr. Edsforth to come back whenever it is desired by the Commission. I must say that Mr. Edsforth's duties are going to take him away. He has been here longer than I told him he would be, and he has reminded me of that, but we will have him at



all times ready and prepared to help the Commission. Also, to turn up information and to help my friends, as we have done over the years, we will have Mr. Roberts and Mr. Miller present, and also an old friend of theirs and an old friend of some of the Commissioners, namely, Mr. Charles McCoy.

THE ACTING CHAIRMAN: Yes, we know Mr. McCoy very well.

MR. SINCLAIR: So, we will have people here even though we have to lose Mr. Edsforth.

THE WITNESS: Thank you, Mr. Chairman. If I can be of assistance to the Commission then I am only too happy to do whatever I can.

THE ACTING CHAIRMAN: Thank you, Mr. Edsforth. We will now recess.

--- Recess.

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THE ACTING CHAIRMAN: Yes, Mr. Sinclair?

MR. SINCLAIR: Mr. Chairman and members of the Commission, my next witness is Mr. Howard C. Reid.

HOWARD C. REID, Called.

DIRECT EXAMINATION BY MR. SINCLAIR:

Q. Mr. Reid, you are presently assistant comptroller of the Canadian Pacific?

A. Yes.

MR. SINCLAIR: Mr. Reid was educated at McGill University where he received an arts degree specializing in history and economics in 1929. He was a Strathcona scholar in transportation at Yale where he dealt with railway operations and public utilities, regulations and statistics. He received the degree of Master of Science in Transportation from Yale in 1931.

From 1937 to 1945 he was on the evening staff of Sir George Williams College giving courses in transportation.

His history with the Canadian Pacific is that he started while he was an under-graduate at McGill during his vacation period working in the accounting department, and after graduation entered the company's service full time doing clerical work and statistical work in different sections of the accounting department. He was then, in 1939, appointed statistician for the company, and he was



one of the statisticians; in 1942 he was appointed general statistician of the company; in 1945, auditor of joint facilities; in 1947, assistant to the comptroller; in 1949, general auditor of Canadian Pacific; in 1955, assistant comptroller when he devoted his full time to the problems arising from integrated data processes. In 1956 he was appointed assistant vice-president, accounting, I.D.P. -- that is, integrated data processing -- and in 1959 he was appointed to his present position of assistant comptroller of Canadian Pacific.

Mr. Reid has appeared as a witness before the Board of Transport Commissioners on accounting and statistical matters. He was a witness in specific cases before the Board, and in general revenue cases. He has appeared before the Interstate Commerce Commission on specific railway cases.

He is a member of the Institute of Administration, Montreal. He is a member of the Accounting Division of the Association of American Railroads.

Q. By the way, Mr. Reid, where were you born?

A. Regina, Saskatchewan.

MR. SINCLAIR: Mr. Reid will deal with a memorandum which has been filed for some six weeks, or so, and which has been in the hands of the Commission and of my friends for that time, pursuant to the direction of the Commission which was given at the



hearings on the 17th and 18th September last, dealing with the grants and obligations, and the benefits as well as the detriments, that arose out of a statute that was passed in 1897, being Chapter 5 of the Statutes of the Dominion of that year.

Attached to his precis were a number of statements which I would like to now file and have them given exhibit numbers. The first statement is numbered "200" and is entitled: "Construction costs of Crow's Nest line". That, with your permission, will be Exhibit No. --

MR. COOPER: It will be Exhibit 53, Mr. Chairman.

---EXHIBIT NO. 53: Document entitled: "Construction costs of Crow's Nest line".

MR. SINCLAIR: Next is a statement designated "201" and entitled: "Subsidy received from Government of Canada for Crow's Nest Pass branch", which will be Exhibit No. 54, with your permission, Mr. Chairman.

---EXHIBIT NO. 54: Document entitled: "Subsidy received from Government of Canada for Crow's Nest Pass branch".

MR. SINCLAIR: Next is statement 202, Mr. Chairman, entitled, "British Columbia southern land grant (disposal of 3,755,733 acres)", which, with your permission, Mr. Chairman, will be Exhibit No. 55.



---EXHIBIT NO. 55: Document entitled: "British Columbia southern land grant (disposal of 3,755,733 acres)".

MR. SINCLAIR: Finally, the statement designated "203" entitled: "Financial results of British Columbia southern railway lands", which, with your permission, will be Exhibit No. 56.

---EXHIBIT NO. 56: Document entitled: "Financial results of British Columbia southern railway lands".

MR. SINCLAIR: Q. Now, with respect to these exhibits Nos. 53 to 56, were they prepared by you, Mr. Reid, or under your direction?

A. They were.

Q. Are they correct, to the best of your knowledge and belief?

A. They are.

Q. Now, Mr. Reid, would you please tell the Commission of the early history of the building of the line of railway through the Crow's Nest Pass?

A. The province of British Columbia, which had ownership of the public lands in that province, was long desirous of securing a railway line serving the south-eastern area of the province and connecting with the railway system of Canada. With this in view a charter was granted by the legislature in 1888 to Crow's Nest and Kootenay



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Lake Railway Company, the name of which was changed in 1891 to British Columbia Southern Railway Company. In 1890, the province by Statutes of British Columbia, Chapter 40, authorized a land grant to that company of 20,000 acres for each mile of railway constructed. In each of the years 1891, 1893, 1894 and 1895 the Executive Council of the Province addressed memoranda to the Government of Canada requesting assistance toward construction of such a line by a cash subsidy.

(Page 1900 follows)



The Federal Government was also anxious to have a railway line built to this area. The Prime Minister, Sir John A. Macdonald, wrote to Van Horne, the President of Canadian Pacific in May 1891:

"Should you not announce C.P.R. intention of building a branch through Crow's Nest?" Van Horne replied that he could not see his way clear to make such an announcement at that time.

In December 1892 the Prime Minister, then Sir John Thompson, was also in correspondence with Van Horne on this subject and this continued for two years.

A proposed resolution to aid the project was placed on the Order Paper by the Government in 1896 but was not acted upon before dissolution of Parliament.

Q. That is the Order Paper of the Government of Canada, I take it?

A. Yes.

Q. Go on, please.

A. This resolution would have provided a cash subsidy of \$5,000 per mile from Lethbridge to Nelson and a $3\frac{1}{2}$ per cent loan at \$20,000 per mile for twenty years secured on the general credit of Canadian Pacific.

Q. From your study of the matter, when did Canadian Pacific first evidence an interest in building a line of railway through the Crow's Nest Pass?

A. As early as 1892 Canadian Pacific



acquired an existing railway extending from Dunmore, on the main line near Medicine Hat, to Lethbridge. This railway, owned by Alberta Railway and Coal Company, was leased, provided that it was first converted to standard guage, at a rental equal to 40 per cent of gross earnings, and Canadian Pacific undertook to purchase the line by December 31, 1897, at \$9,000 per mile. In making this purchase the Company had in mind construction of a line through Crow's Nest Pass.

Shortly after 1892 the country was plunged into a severe depression which lasted until the beginning of 1897. Canadian Pacific was prevented during this period from proceeding with most of its plans for expansion owing to the difficulty of raising capital. In one year, 1894, the financial markets were so abnormal that £300,000 of 4 per cent Preference Stock of Canadian Pacific which had been issued in London the previous year had to be withdrawn.

However, to the end of 1896, Canadian Pacific expended \$87,829 on surveys west of Lethbridge. The amounts by years were as follows:

1892	\$11,167
1893	66,256
1894	1,930
1895	6,458
1896	<u>2,018</u>
	<u>\$87,829</u>

Q. There was a major change, was there not, in the economic conditions of Canada in 1897?



A. At the beginning of 1897, conditions improved sufficiently to enable the Company to consider actively construction of the line. At the annual meeting of shareholders of the company held on April 7, 1897, a resolution was approved authorizing the directors to take such steps and to enter into such arrangements as seemed to be most desirable for the construction of a branch line to Nelson connecting with the company's main line.

As a result of negotiations with the Government of Canada, Chapter 5 of the 1897 Federal Statutes was enacted, followed by the execution of the Agreement, dated September 6, 1897, referred to in the Statute. These two documents are reproduced in the joint submission at pages 36 through 48 as Appendices "A" and "B".

Q. Now, what was the railway line to be constructed pursuant to the Act, Mr. Reid?

A. According to the language of the Act this was -- and I am quoting now -- "a railway from Lethbridge, in the district of Alberta, through the Crow's Nest Pass to Nelson, in the province of British Columbia."

Q. That is set out in clause 1 of chapter 5 of the Statutes of Canada. Yes, Mr. Reid?

A. Pursuant to this, Canadian Pacific built from Lethbridge to the British Columbia boundary in its own name. To build from British Columbia boundary to Nelson, Canadian Pacific in 1897 purchased all the paid up capital stock



of British Columbia Southern from the promoters for \$100,000. This company had the necessary powers to build from the British Columbia boundary to Nelson. The acquisition was arranged by William Hanson, of Hanson Brothers, Montreal, who made agreements with Sir William Van Horne, R. B. Angus and T. G. Shaughnessy dated January 14, 1897 and August 10, 1897, which provided that Hanson would deliver all the paid up capital stock of British Columbia Southern to them at the price of \$100,000. Hanson covenanted that British Columbia Southern would be free from debt and pecuniary liability of every kind. The amount of \$100,000 was in reimbursement of the promoters for their expenses since 1888 in arranging the charter with its extensions and modifications, inasmuch as at the time of this transaction no construction work had been done.

Q. Any survey work, Mr. Reid?

A. Yes, some survey work had been done, apparently, but I find no indication that Canadian Pacific was able to use those surveys to any extent.

Q. Yes?

A. Van Horne, Angus and Shaughnessy acquired the stock for account of Canadian Pacific.

Q. Now, Mr. Chairman and members of the Commission, in the meantime Chapter 36 of 1897 was enacted by the Parliament of Canada which declared British Columbia Southern to be, in the words of the British North America Act, "a work for the general advantage of Canada" and



authorized British Columbia Southern to lease its works to Canadian Pacific.

Now, Mr. Reid, my question is, did the British Columbia Southern lease this railway to the Canadian Pacific?

A. Yes.

Q. What were the basic terms of that lease?

A. The railway of British Columbia Southern built or to be built was leased to Canadian Pacific from January 1, 1898, in perpetuity, at a nominal rental, with an option to British Columbia Southern of repaying the construction costs advanced by Canadian Pacific and receiving interest at 4 per cent on such repayments. This option was not exercised. In this lease the line was defined as one "now constructed or hereafter to be constructed, between the eastern boundary of the Province of British Columbia and the town of Nelson in that province". British Columbia Southern was dissolved by Act of Parliament of Canada in 1957 and its property was vested in Canadian Pacific.

Q. Mr. Chairman and members of the Commission, a sketch appears at page 3 of the Submission of Canadian Pacific dated October 14, 1959, showing the railways in southern Alberta and southeastern British Columbia in existence immediately prior to the construction of the Crow's Nest Line, and the route followed by that line. You will note that this was what is now Alberta, from that sketch; that is, the Province of Alberta was then known



as the Territory of Alberta and was part of the North-west Territories.

I think, for the record, I don't know whether the reporter can reproduce this sketch, I don't know what kind of equipment they have here, but if they could I think it would be helpful to put it right into the record at the time Mr. Reid is dealing with it.

THE ACTING CHAIRMAN: Can you get copies of it?

MR. SINCLAIR: We will speak to them and see what can be done.



LEGEND:

- (RED) CANADIAN PACIFIC RAILWAY
- +++++(GREEN) GREAT NORTHERN RAILWAY
- (BLUE) ROUTE OF THE CROW'S NEST LINE



MR. SINCLAIR: Q. Now, Mr. Reid, will you just -- having that sketch before you, and which is before the Commissioners -- would you please comment on it and draw to the attention of the Commission the significant points to keep in mind?

A. This sketch shows in red the main line of the Canadian Pacific.

Q. So marked on the sketch. That is shown running through such places as Calgary, Banff, Golden, Glacier, and you also can see there Medicine Hat, which you mentioned earlier, right?

A. Yes.

Q. Go on.

MR. FRAWLEY: No tax paid on it?

MR. SINCLAIR: We will come to that, Mr. Chairman. I would like to say that it would relieve my friend when he asks for information, that if he had done his homework as carefully as he should be expected to do, he might have known where full credit for the taxes on the main line of the Canadian Pacific is given, and it is typical of Mr. Frawley, he wants more than he should get.

MR. FRAWLEY: I just want the main line taxed, that is all.

THE WITNESS: Also in red on the sketch is shown the line extending from north of Calgary through that point to Macleod, and the line from Dunmore to Lethbridge previously referred to. The sketch also shows in green the existing line of the Great Northern from south of the United States



boundary to Nelson. The route of the proposed Crow's Nest line is shown in blue.

Q. When did the Canadian Pacific construct the Crow's Nest line; that is, as it is described in the statute and shown in this sketch marked dotted blue that you have just mentioned?

A. Canadian Pacific commenced construction west from Lethbridge in 1897 and completed the line as far as Kootenay Landing in October, 1898. Reference to the sketch shows that by that date the line extended from Lethbridge, through Macleod, Crow's Nest Pass and Cranbrook to Kootenay Lake.

Q. Kootenay Landing is on Kootenay Lake?

A. It is at the southern end of Kootenay Lake.

Q. And you say the railway was constructed to Kootenay Lake; that is, to Kootenay Landing as shown on this map. Is that correct?

A. That is right.

Q. Go on.

A. A gap of 34 miles was then left as far as Procter.

Q. Which is also shown on the sketch?

A. Yes, from where the line was continued to Nelson. From Kootenay Landing to Procter a train ferry on Kootenay Lake enabled through train service to be established to Nelson. Under the Crow's Nest Agreement (Appendix "B", Joint Submission, page 42) Canadian Pacific was required "from the time of the completion of the said line to the south end of



Kootenay Lake and the final completion of the whole line to Nelson . . . "to" . . . provide such facilities as may be necessary for the carriage of freight in carloads without transshipment between the south end of Kootenay Lake and Nelson . . .".

Q. Would you look at Exhibit 53, which is now part of the record, and having that before you -- that is the intended construction costs of the Crow's Nest Pass line -- tell the Commission the points you wish to draw to their attention on that exhibit?

A. This Exhibit 53, headed Construction Costs of Crow's Nest Line, shows the amounts expended as drawn from company records and set out in the annual reports of the company, 1892 to 1903.

Q. Now, when was the construction completed with the train ferry which you mentioned?

A. Construction was completed in 1903, and the aggregate amount expended by Canadian Pacific up to that time is the total shown on Exhibit 53, namely, \$9,894,392.43.

(Page 1913 follows)



Q. Now, would you please look at exhibit number -- before I do that, that figure of \$9.9 million, roughly, did that include anything for equipment, or was that for the construction of the line in the sense of the track structure?

A. The costs listed on Exhibit 53 covered only the track and structures, not the motive power--rolling stock and the vessels.

The agreement provided that the company was to equip the Crow's Nest line, and it did so, but the costs are not included in the Investment Account of the Crow's Nest line.

Q. Turning to Exhibit 54 entitled: "Subsidy received from Government of Canada for Crow's Nest Pass branch", Exhibit 54, and looking at that, I draw to the attention of the Commission the significant point you wish them to consider and Exhibit 54 is divided into two parts, the first showing what was reported in annual reports of the Company as being the amounts received on account of the subsidy in the year 1897 to 1903. The second part of the exhibit shows the amounts reported in the public accounts of Canada as having been paid during the same span of years, and the total comes to the same amount, of course, namely, \$3,404,720. Now, that represented a subsidy at \$11,000 per mile for 309.52 miles of railway.

Q. Yes. You stated there is train ferry at Kootenay Lake from Kootenay Landing to Procter as shown on the sketch. How long did that



operate and is it operating today?

A. The train ferry service was continued until 1930 when Canadian Pacific constructed a railway line along the shore of Kootenay Lake from Kootenay Landing to Procter. This section of the Crow's Nest line was built under the authority of a special Act of Parliament of Canada, Statute of Canada, 1929, Chapter 65, Section 1(k). The cost of constructing this difficult 34-mile section was over \$3 million. No subsidy was paid with respect to its construction.

Q. As you said, the actual cost of construction would be \$9.9 million plus the \$3 million makes it \$13 million, other than the amounts shown on Exhibit 54.

A. There were no subsidies paid by the Government of Canada other than I have reported on.

Q. Now, Mr. Reid, if you would summarize the obligations undertaken by Canadian Pacific under the Federal Statute which you have mentioned, Chapter 5, of 1897 and the Agreement of September 6 of that year, the Agreement entered into pursuant to the Statute. Would you summarize the obligations of the company, Canadian Pacific?

A. The first obligation that I have listed here is to construct definite specifications, equip and operate a railway from Lethbridge to Nelson. The specifications were annexed to the Agreement marked "C" but are not reproduced as part of Appendix "B" of the joint submission. The Agreement



provided that the work should be done "To the entire satisfaction of the Governor in Council".

The second obligation was to accept control of rates by the Governor in Council or by a Railway Commission as specified in the Act and the Agreement.

MR. SINCLAIR: The Commission will note that it wasn't until 1903 that the Railway Act was amended and the Board of Railway Commissioners took over the rate regulation, the predecessors of the present Board of Transport Commissioners.

THE ACTING CHAIRMAN: Mr. Blair carried on from 1903, I think.

MR. SINCLAIR: Q. Yes, that was the second obligation. Would you give the third, if any?

A. The third obligation was to reduce eastbound rates on grain and westbound rates on other commodities as specified, and this has been dealt with in the evidence of Mr. Edsforth.

Q. Yes. The next?

A. The next obligation was to convey to the Government of Canada at its selection 50,000 acres of coal-bearing lands out of any land secured from British Columbia for construction of the Crow's Nest line.

The next obligation was to offer the land granted by British Columbia for sale to the public according to regulations and at prices not exceeding those prescribed from time to time by the Governor in Council.



Q. Were there any other obligations other than the five you have just referred to arising from the statute of 1897 and the agreement you have referred to?

A. The agreement also provided that the Railway Committee of the Privy Council might grant running powers over the Crow's Nest line and over all lines of the Company in British Columbia south of the main line to any other railway company applying therefor on such terms as the Committee might fix and determine, and that may be found in the agreement and clause 12 on page 44 of the joint submission.

Q. Mr. Reid, based on your knowledge of Canadian Pacific history, were there any railway lines who have applied or attempted to secure running powers in what some people have described as a very good area or whatever people have described as a normal traffic area.

A. To my knowledge there have been no applications.

Q. Notwithstanding this provision?

A. Yes.

Q. Would you go on, please?

A. At the time of negotiations leading up to Chapter 5 of 1897, and in the course of the discussion in the House of Commons reference was made to the question of monopoly. This clause was included to ensure that Canadian Pacific was not granted a monopoly position. Moreover, any railway company that wished to build into south



eastern British Columbia would have been able to secure a charter. Indeed, reference to the legislation shows that charters for this purpose were granted subsequent to 1897. For example, in 1904 a Federal Charter was granted to British Columbia and Manitoba Railway Company, Statute of Canada, 1904, Chapter 70, authorizing construction from Crawford Bay on Kootenay Lake easterly, and in 1906 --

Q. Pardon me, was that railway ever built, Mr. Reid?

A. That railway was never built, although the powers of the company were extended to build to Lethbridge in 1906. Then in 1908, Alberta and British Columbia Railway Company was incorporated to build from a point in British Columbia on the United States boundary to Calgary, and that is federal Statute, Chapter 78, of 1908.

Q. Was that railway ever built?

A. No, it was not built.

Q. Now, those are the obligations as your study of the position indicates. What benefits were received by the railway by the construction of the Crow's Nest line?

A. The benefits received included a cash subsidy of \$3,404,720.

Q. That has been referred to earlier and set out in Exhibit 54?

A. Yes, from the Government of Canada, which was equal to approximately one-third of the cost of constructing the line. As already stated, the



cost of the construction, excluding the \$3 million-odd referable to construction from Kootenay Landing to Procter, was \$9,894,392, which is approximately three times the amount of the subsidy.

Q. Or a quarter of the actual construction of the line, including the other piece of the 34 miles. Would that be about right?

A. That is fair enough.

The second benefit received was 3,755,753 acres of land (less 50,000 acres of coal-bearing lands conveyed to the Dominion) from the Government of British Columbia to British Columbia Southern with respect to construction of 187.79 miles of railway from the British Columbia-Alberta boundary to Kootenay Landing. This was at the rate of 20,000 acres per mile as provided in the British Columbia legislation previously referred to. While 20,000 acres per mile was substantial, it reflects the low value of land in the area. This appraisal of the value was confirmed by the small returns to the Company from disposition of the lands.

Q. Was it full title that was contemplated?

A. I understand it carried title to the minerals except for precious metals.

Q. That is the normal full title as it is known in Western Canada?

A. If you say so.

Q. Would you go on, please?



A. The third benefit received was exemption from provincial and municipal taxation of the lands granted to the British Columbia Southern until leased, occupied, sold or alienated, and of the railway of British Columbia Southern for 10 years from completion. The tax exemption on the land grants was for the purpose of giving an opportunity to make the most favourable sales possible. Such taxes as were paid are reflected in the financial statement.

Q. Which is Exhibit 56?

A. Yes. The 10-year exemption on the railway applied to right-of-way through undeveloped territory which did not develop quickly enough for the privilege to give an appreciable advantage.

Q. Now, Mr. Reid, we will come back to these financial returns. How was the obligation you mentioned to the Government of Canada to convey the 50,000 acres of coal-bearing lands carried out?

A. That obligation was met by an agreement between British Columbia Southern and the Government dated July 14, 1897. This provided for conveyance of 50,000 acres without describing them. The conveyance of the lands was actually made by deed dated September 14, 1905, in two parcels, one of 45,000 acres and the other of 5,000 acres. The two parcels lay in the area between the line of railway along Elk River, just west of the boundary of British Columbia and the boundary itself.

Q. Were there any large acreages conveyed



out of the land grant in the early years?

A. In 1897, 254,640 acres were transferred to Crow's Nest Pass Coal Company Limited (formerly Kootenay Coal Company, Limited) in accordance with an agreement that --

Q. You will deal with later in your evidence?

A. Yes.

Q. Do you know whether Canadian Pacific has an interest in Kootenay Coal Company Limited? Was this a transfer between subsidiaries, or was it an independent company?

A. No, Canadian Pacific has no interest in that coal company, and never has had.

Q. Thank you. Now, we will come back to this a little later. Were the lands offered for sale under the grant and were they sold to the public?

A. Lands were offered for sale and town-sites were laid out and acreages were disposed of as set out, as I have then set out here.

MR. SINCLAIR: There is a little table set out and it is before the Commission. With your permission, sir, could it be taken into the record just as a little table, rather than read it?

THE ACTING CHAIRMAN: Agreed.



<u>Year</u>	<u>Acres Sold (Net)</u>
1903	1,013
1904	3,989
1905	52,760
1906	42,860
1907	176,875
1908	42,977
1909	-31,302
1910	3,775
1911	22,383
1912	<u>18,839</u>
	334,169

MR. SINCLAIR: Q. The total acres sold were what?

A. Up to 1912, 334,169. Now, in that table it will be noted that the acreage for 1909 is a minus quantity. This was because land repossessed as a result of cancellations of contracts exceeded the sales of that year.

Q. There was also sale to the province of British Columbia in the early years. Please tell the Commission about that.

A. In 1912 the Legislature of British Columbia undertook to accept conveyance of certain lands which the Province had granted in aid of construction of railways. By Agreement dated January 31st, 1912, ratified by Statute of British Columbia, Chapter 37, British Columbia Southern agreed to sell and the Province agreed to purchase at 40 cents an acre --

Q. Does that 40 cents an acre include full title?

A. I understand it included full title.



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(Sinclair)

Q. Forty cents?

A. Yes, all the lands previously granted to British Columbia Southern which it had not sold or contracted to sell at the date of the Agreement, except for some 543,496 acres retained for timber and tie requirements. The acreage sold to the province under this Agreement totalled 2,549,699.

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Q. Mr. Reid, when and how were the remaining lands in the land grant of British Columbia for building of this Crow's Nest railway, how were they disposed of?

A. The remaining lands were finally disposed of by 1948. They were used by the Company to obtain ties and timber for railway purposes and, except for small acreages sold to the public, were conveyed by five deeds from 1922 to 1937 to the Province of British Columbia as free grants.

Q. And would these grants be given to British Columbia for nothing, would they have full title?

A. Yes, sir.

Q. Including all the minerals that they contained?

A. Yes, sir.

Q. They gave them away for nothing?

A. Yes, sir.

THE ACTING CHAIRMAN: Perhaps we might just stop there, Mr. Sinclair. We will adjourn now until 2:00 o'clock.

---Luncheon Adjournment.



---On resuming at 2.00 p.m.

THE ACTING CHAIRMAN: Yes, Mr. Sinclair?

MR. SINCLAIR: Q. Mr. Reid, just before the noon adjournment we were discussing the 3.7-odd million acres of land which C.P. received for the building of the Crow's Nest line and the disposition of that acreage. You had dealt with the acreage sold to the public, the acreage sold to the Province of British Columbia for 40 cents an acre and the conveyance of large tracts to the B.C. Government without consideration. Now, I would ask you, please, to summarize the financial result to C. P. from the Crow's Nest land grant?

A. A summary of the financial result of the Crow's Nest line land grant follows ---

THE ACTING CHAIRMAN: We can carry that right into the record.

<u>Acreage</u>		<u>Gross Sales</u>	
50,000	Coal-bearing lands conveyed to Govt of Canada pursuant to Chapter 5 of 1897	-	
254,640	Conveyed to Crow's Nest Pass Coal Co. Ltd, pursuant to Agreement of July 30, 1897	-	
2,549,699	Released to Province of B.C. in 1912 at 40¢ per acre	\$1,019,880	
519,075	Conveyed to Province of B.C. without consideration - years 1922-36	-	
<u>382,319</u>	Sales to public	<u>1,502,944</u>	\$2,522,824
	Other receipts		693,109
			<u>\$3,215,933</u>
	Expenses & Taxes		<u>1,381,435</u>
<u>3,755,733</u>	Net Gain		<u>\$1,834,498</u>



MR. SINCLAIR: Q. That shows a total of 3,755,733 acres and the gain to C. P. was how much total?

A. \$1,834,498.

Q. And what does that amount to per acre on the average?

A. The net gain to the company from the land grant averaged 49 cents per acre.

Q. Does that include sales of surface and mineral rights?

A. Yes, all revenues and receipts less expenses.

Q. And the total there again for all this full title disposition of these 3.7-odd million acres was how much again?

A. \$1,834,498.

Q. And how much an acre?

A. Forty-nine cents per acre.

Q. Now, would you look at Exhibit 55 and comment on that, please, in regard to the financial result?

A. Exhibit No. 55 shows by years throughout the history the disposal of the 3,755,733 acres. The table divides the disposals between special conveyances which are summarized in the tables that I have just given and ordinary sales to the public.

Q. These special conveyances are set out in footnotes to Exhibit 55?

A. Yes, they are explained in the footnotes. The total sales to the public, apart from



these special conveyances, as will be noted in line 45, were 496,363 acres. Now, during the course of the years lands which had been sold reverted to the company because of the inability or lack of desire on the part of the purchasers to complete the transaction and such reversions total 114,044 acres.

Q. Both a gain from the first sale and a gain from the second sale, if any, in both cases is carried in the statement?

A. They are all embraced in the statement, yes.

Q. Now, I notice that the account closed out in 1946?

A. That is the last record of acreage disposed of and at that point all the acreage was accounted for.

Q. Now, you referred to the conveyance earlier to the Crow's Nest Pass Coal Company, and we said we would deal with that a little more thoroughly at a subsequent time and I think this is the time.

A. There was Exhibit 56, do you want any reference made to that?

Q. Well, if you wish, I had dealt with that earlier but possibly we can do it again. That shows the acreage disposals and the financial transactions on Exhibit 56?

A. That is correct.

Q. This shows that the account was finally closed, the financial account was finally closed



in 1958.

A. Well, actually, in 1957: there was nothing further in 1958 and as I understand it there will be nothing further.

Q. In other words, the account is completely closed on both sides of the ledger?

A. Yes. Now, coming to the disposal of 254,640 acres to the Crow's Nest Pass Coal Company Limited, this was made pursuant to an agreement dated July 30, 1897, between Canadian Pacific and the Coal Company under its former name, Kootenay Coal Company Limited. This agreement provided that Canadian Pacific would not mine coal for ten years after construction of the Crow's Nest Line, would cause British Columbia Southern to convey to the Coal Company in fee simple the acreage referred to and would provide railway service for the Coal Company at specified rates for ten years. The Coal Company undertook to make expenditures to develop and equip coal mines so as to provide coal for railway purposes and public sale at reasonable prices.

The rates set out in the Agreement of July 30, 1897, for transportation of coal and coke, were to be effective for ten years and ranged from a minimum rate of 50 cents per ton for up to 17 miles to \$1.80 per ton for 225 miles and prorata for greater distances. This was no higher than railway rates on coal in other parts of the country at that time.

The Agreement defined reasonable prices



for sale of coal as those where the profit per ton should not exceed 75 cents, with the decision of the Minister of Trade and Commerce of Canada to be final in case of any dispute.

Q. Now, when the company disposed of certain of its acreage they conveyed full title. In other cases they did not give full title, but reserved as it was technically known, certain mineral rights, for instance coal, in this specific case?

A. C.P. retained rights?

Q. Did they?

A. No, sir, not to my knowledge.

Q. There was no retention of mineral rights in any respect?

A. Not to my knowledge. I understand that, as a general answer, C.P. holds no mineral rights in connection with any of this acreage today.

Q. Now, at any time in dealing with this acreage down through the years did they do any mining on their own behalf?

A. C.P. retained six sections of coal-bearing lands, that is 3,840 acres, out of the land grant to B.C.Southern. After the ten-year period specified in the agreement with the Kootenay Coal Company had elapsed, the Canadian Pacific began to mine coal from this acreage under the name of Hosmer Mines. The operation was carried on for only six years, when it was abandoned with a capital loss in excess of \$2 million, and all of



it was lost.

Q. All of it was lost?

A. All of it was lost.

Q. Now, Mr. Reid, do the facts you have stated set forth all grants or aid of any kind by cash, land or otherwise received by Canadian Pacific or any of its subsidiaries for the building of the Crow's Nest line?

COMMISSIONER ANSCOMB: Before Mr. Reid answers that, in order that I might have my own mind quite clear, I have to admit I am not quite clear as to this conveyance to the Crow's Nest Pass Coal Company. I understand they were not a subsidiary of yours then, and are not now, and I am not clear as to what you received for this quarter of a million acres of land. Nothing at all, other than the agreement not to mine somewhere else and such like?

THE WITNESS: The agreement says in that regard -- it uses the phrase "in consideration of the premises" and the premises are set out in the agreement and are to the same effect as I have summarized.

MR. SINCLAIR: I think if I may, what the consideration was ---

COMMISSIONER ANSCOMB: That is what I want to know.

MR. SINCLAIR: It was that the coal company undertook to equip and develop the mines and I think as one might judge, if I might say this as the way I interpret it, that was quite a consideration



because the C.P., as Mr. Reid stated in his evidence, did try in another place to develop mines and equip them and lost over \$2 million. Now, the Kootenay Company, the C.P. conveyed to them this acreage under which they, in consideration of that conveyance, agreed to equip and develop the mines but so that it could not be said -- Mr. Reid's evidence I would interpret this way -- that that was not a good transaction or it was going to enable the coal company to inordinately profit, the profit per ton was limited and the control of the price from the acreage involved was to be under government agency, in other words, the Minister of Trade and Commerce.

COMMISSIONER ANSCOMB: And the freight rate set?

MR. SINCLAIR: Yes.

COMMISSIONER ANSCOMB: There was no monetary consideration in effect directly for a quarter million acres of land?

MR. SINCLAIR: That is right.

COMMISSIONER ANSCOMB: Thank you.

MR. SINCLAIR: Now, my question -- perhaps Mr. Reporter would read it back.

THE REPORTER: "Now, Mr. Reid, do the facts you have stated set forth all grants or aid of any kind by cash, land or otherwise received by C.P. or any of its subsidiaries for the building of the Crow's Nest line?"

THE WITNESS: Yes.



Q. Mr. Reid, from your study of the situation, and from your evidence, I take it you have been a close student of the situation; is that correct?

A. Yes, I have given a lot of time to studying its history.

Q. From your study of it down through the years up to the present have you discerned any misunderstanding by people as to the amount of the aid by cash or otherwise received by Canadian Pacific in the building of the Crow's Nest line?

A. I have seen a number of statements that contained incorrect statements.

Q. For instance?

A. On more than one occasion it has been said that the interest of Canadian Pacific in Consolidated Mining and Smelting Company of Canada, Limited, arose from the Crow's Nest Agreement. This is absolutely wrong. The interest of Canadian Pacific in Consolidated Mining and Smelting was in no way connected with the construction of the Crow's Nest line. Canadian Pacific's interest in Consolidated Mining and Smelting had its beginning as a speculative investment acquired originally by purchase and added to by purchase of stock from time to time in later years.

Q. Would you just elaborate on that, please?

A. Officers of Canadian Pacific, acting on its behalf, by agreement dated February 11, 1898, purchased from F. August Heinze of Butte, Montana,



the properties of British Columbia Smelting and Refining Company at Trail Creek for \$200,000. Canadian Pacific then appointed a manager who carried on the business under the name Canadian Smelting Works on its behalf. The only additional capital put in by Canadian Pacific up to 1905 was \$5,000. Canadian Pacific received no income from this investment up to 1905. In 1905 the manager of Canadian Smelting Works, acting in connection with a syndicate, completed negotiations for acquisition on behalf of Canadian Pacific of 46.8 per cent of the shares of St. Eugene Consolidated Mining Company, Limited, 42.7 per cent of the shares of Centre Star Mining Co. Ltd., 25.1 per cent of the shares of War Eagle Development and Mining Company, Limited, and all the shares of Rossland Power Company. The price for these acquisitions was \$825,000.

Q. Yes, go on.

A. For the purpose of amalgamating these undertakings, a company called Canadian Consolidated Mines, Limited was incorporated by Federal Charter, January 9, 1906. On February 14, 1906, the name was changed to The Consolidated Mining and Smelting Company of Canada, Limited.

Q. And we will call that hereafter Consolidated.

A. Yes, which we shall call Consolidated. Shortly thereafter Canadian Smelting Works was sold to Consolidated for 7,500 shares of its capital



stock. For the holdings acquired in other companies in 1905 that I referred to, Canadian Pacific received 18,014 shares of Consolidated. This resulted in Canadian Pacific holding initially 25,514 shares or 54.3 per cent of the capital stock of Consolidated.

Q. Mr. Reid, would you tell the Commission how the acquisition of Canadian Pacific in Consolidated was financed?

A. The first \$200,000 expended in 1898 was taken from the general funds of the company. Until 1916 the acquisition costing \$825,000 was financed by a bank loan secured by part of this stock, and dividends received on Consolidated stock were largely applied toward interest and principal of the bank loan. Certain shares were sold from time to time and the proceeds applied toward the bank loan. Likewise, additional shares were purchased and the bank loan increased by the cost thereof. The bank loan was finally closed out in 1916 by cash paid by Canadian Pacific. Thereafter Canadian Pacific bought and sold Consolidated stock from time to time. In 1916 Canadian Pacific exchanged its holdings of common stock of West Kootenay Power and Light Company, Limited, which had been purchased in 1912, for shares of Consolidated. In 1919 Canadian Pacific subscribed to \$2,698,400 of convertible bonds which were converted to stock in 1925. Canadian Pacific subscribed to additional stock offered to shareholders in 1930, and received further shares as stock dividends in 1931 and 1933.



Q. At any time during this history of Canadian Pacific in Consolidated was there a period when that investment was not remunerative?

A. Yes, there was a long period initially when the investment was only moderately remunerative, and then in the early 1920's, and again around 1931, the investment was not remunerative.

Q. By the way, before I leave that, with regard to sales of the lands from the Crow's Nest land grant, whether small or large, were any of these sales made by Canadian Pacific to Consolidated or to subsidiaries of Consolidated?

A. I have looked over the entire list of sales made from the 3,700,000-odd acres, and I found only one sale to Consolidated which was in 1927, designated as part lot 4591, amounting to 26 acres for \$260.

Q. Pardon me; 26 acres?

A. Twenty-six acres.

Q. For how much money?

A. For \$260.

MR. FRAWLEY: I am sure Mr. Sinclair did not hear the witness the first time.

MR. SINCLAIR: I was not so sure that Mr. Frawley had. I heard the witness, but I did not want to prolong the time of the Commission in having Mr. Frawley ask further questions --

THE ACTING CHAIRMAN: So you repeated it.

MR. SINCLAIR: Yes, so I repeated it.

MR. FRAWLEY: Thank you for your consideration.



THE WITNESS: This land is on the east side of Moyie Lake, and Consolidated purchased this land for a pole line for the Moyie-Cranbrook transmission line.

MR. SINCLAIR: Q. I think that was the only one, was it not, Mr. Reid, that was sold to Consolidated?

A. Yes.

Q. Now, the investment of Canadian Pacific in Consolidated has been remunerative over-all, and very remunerative in some years; is that correct?

A. Yes.

Q. Could you compare that investment of Canadian Pacific in Consolidated with some of its other investments, and leaving aside the Hosmer Mine investment where the company lost \$2 million that you spoke of earlier? Are there any others?

A. Against the fortunate outcome of the investment in Consolidated, Canadian Pacific made other speculative investments which were not successful. For example, \$492,500 was expended in 1928 to purchase \$500,000 of 5-1/2 per cent debentures of Canada Power and Paper Corporation. Within a few years this company was bankrupt and Canadian Pacific received only \$75,000 in re-organization securities which when they were sold 19 years later realized \$298,700.

Q. What about some railway investments of Canadian Pacific?

A. Some of the railway investments of



Canadian Pacific have had an unfortunate end also. An example is investments in Spokane International Railway Company totalling more than \$4,500,000 made from 1916 to 1933 which were completely wiped out by bankruptcy in 1933.

Q. By the way, where did the Spokane International run, just so that we can pinpoint it?

A. It runs from the British Columbia boundary at Kingsgate to Spokane.

Q. And the company's investment in that was completely wiped out -- some \$4,500,000?

A. That is right.

Q. What about freight revenues from Consolidated traffic? Have you considered that aspect, Mr. Reid?

A. So far as the freight shipped to and from Consolidated is concerned, the movements occur because of the availability of rail service and are no different in essence from freight traffic arising from the recently established paper mills on the north shore of Lake Superior at Marathon and Terrace Bay, and freight to and from the plants of International Nickel in the Sudbury area. If Canadian Pacific had borrowed from the bank \$1 million at the turn of the century, and had invested this in International Nickel, and had held till the present, the outcome would have been just as impressive as in the case of Consolidated.

Q. If I may say so, Mr. Reid, I think that is a little bit of an understatement, is it



not?

A. International Nickel was quite an obscure company at the turn of the century, or its early constituent parts, but I think that if anyone had the foresight to make even a small investment he would have made a lot of money if he had held on.

Q. A large amount even to an accountant who is used to dealing with large figures?

MR. FRAWLEY: It might have resulted in keeping International Nickel from going on natural gas, and would have continued the hauling of a lot of coal.

MR. SINCLAIR: Of course, Mr. Chairman, if Mr. Frawley wants to call evidence about the investments of his clients in natural gas, and what they have done with them, that is fine, but I think we are here to assist the Commission in understanding something other than Mr. Frawley's comments. We are very anxious to hear what Mr. Frawley's evidence will be on coal from Alberta to Ontario points, which I am sure he is going to bring forward.

MR. FRAWLEY: No, that is for Mr. Justice Rand.

MR. SINCLAIR: Oh, no, you are not going to get out of it that easily, Mr. Frawley. We are expecting your witnesses to deal with that one.

Q. Now, you have spoken of one misunderstanding concerning this Crow's Nest land and the aid in cash and otherwise received by Canadian



Pacific thereto -- that is, from Consolidated; have you in your research and your reading discerned any other misunderstanding of a major character?

A. Confusion also arises in the minds of many concerning the grants made to Canadian Pacific under its contract with the Government of Canada dated October 21, 1880 for the building of the main line. There is no connection whatsoever between the land grants received by Canadian Pacific in exchange for its obligation to build the main line and the Crow's Nest Agreement. The land grants for the main line antedated the Crow's Nest Agreement by some 17 years and none of the lands received under the contract for the building of the main line were in Southern British Columbia. In fact, the lands in Southern British Columbia were owned by the province of British Columbia and not by the Federal Government.

The cash and lands received under the contract of October 21, 1880, were not subsidies in the ordinary sense. The contract was entered into by the Government of Canada in an effort to satisfy, belatedly, one of the terms of union with British Columbia in 1871 to cause a railway to be built connecting the seaboard of that province with the railway system of Canada within 10 years of the date of union. Previous measures had not been effectual because the undertaking was so onerous. Parliament had declared a preference for construction and operation by means of an



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incorporated company aided by grants of money and land as being the least costly course to follow. The grants were made by instalments according to the rate of construction and for them the company was obliged to complete the railway, equip, maintain and operate it by May 1, 1891, which it did by 1885.

(Page 1948 follows)



Q. Now, were any substantial risks run by Canadian Pacific in reply to that, Mr. Reid?

A. Great risks of loss were assumed by the company and the initial returns on the capital were meagre. Interest dividends at three per cent were paid out of capital for ten years. A dividend from earnings was first paid in 1890, at 1 per cent, on the ninth anniversary of incorporation. Dividends from 1890 to 1893 were at 2 per cent, 5 per cent in 1894, nil in 1895, $2\frac{1}{2}$ per cent in each of the next two years and did not exceed 5 per cent until 1904. During this period, and indeed since, net proceeds of land sales were not used for dividends and all such funds were used for capital expenditures. It is clear that the grants under the original contract did not enable the shareholders to be placed in a position of gaining high returns, but rather enabled the company to weather early years of difficulty, as was the objective in making the grants.

Q. You have spoken of the grants in aid of construction in respect to the Crow's Nest line, and just now in respect of the Canadian Pacific main line. Now, has Canadian Pacific received grants in aid of railway construction other than these?

A. Canadian Pacific, for building sections of railway in many parts of Canada, received grants of cash and land. Again these grants had no connection whatsoever with the



Crow's Nest Agreement but were made to Canadian Pacific just as they were made to other railway companies to encourage them to undertake the heavy expenditures and risks involved in building railways.

Q. Have you any examples, please?

A. For example, in 1915 the Government of Canada paid \$1,065,856 to Canadian Pacific in aid of construction from Golden to Colvalli, British Columbia; in 1910 the Province of Quebec granted 96,000 acres of land in aid of construction by Canadian Pacific from Nominungue to Mont Laurier; from 1914 to 1919 the Federal Government paid \$12,244,803 to Canadian Northern to assist construction of its line through Northern Ontario; and in the recent past grants per mile of construction have been paid to Canadian National to assist in building in Northern Quebec.

MR. SINCLAIR: Thank you, Mr. Reid. Will you please answer my friend now.

CROSS-EXAMINATION BY MR. CUMMING:

Q Mr. Reid, I would like to direct your attention firstly to the sketch which follows paragraph 8 on the third page of the submission, Exhibit 47; can you tell us firstly, Mr. Reid, when the Great Northern line from Nelson, which is marked with green, was built and put in operation?

A. I haven't that information precisely, Mr. Cumming, but it was certainly operating at the time the Crow's Nest Agreement was made.

Q. Would it be operating prior to 1890?

A. I think not.



Q. What indications were there, say, in the early 1890's of the plans of American lines to extend into the area of Southern British Columbia?

A. When the Great Northern Railway was being built by the Canadian-born James J. Hill, and extending from Lake Superior westerly eventually to the Pacific coast, and this railway was the most northerly of the United States Transcontinental which was running quite close to the Canadian boundary, and as is well known, Mr. Hill was a man of great vision, he was looking for every opportunity to develop traffic for his railroad and not restricting his outlook to the United States alone.

Now, Southern British Columbia in the 1890's was talked about a great deal as being a country of great mineral wealth. There were mining strikes around Kootenay.

Q. That is strike in the sense of discovery?

A. Yes, discoveries, and miners flocked into the country. I see one reference by one of our members of Parliament that he thought that ninety per cent of the miners in that country were Americans who had come in over the boundary, so that was the atmosphere under which the Great Northern penetrated into Nelson.

Q. Was there any activity on the part of Northern Pacific?

A. Well the Northern Pacific line runs south of the Great Northern line. The people who were developing that property were also interested



in penetrating to any good traffic area, and I think there was an interest. The period when the Great Northern and Northern Pacific came together was just about that time, and they may have been acting in unison.

Q. Perhaps I can bring your attention to paragraph 10 on the next page where you set out the figures of the cost of the construction of the Crow's Nest line and the amount of the tax payment received from the federal government. Will you tell us, Mr. Reid, how the balance of the construction costs was financed?

A. At that time the company was able to sell securities. For example, in 1898 over \$10 million was raised by the sale of preference stock, and in 1902 over \$7 million was raised by the sale of ordinary stock.

Q. Were these issues related to this Crow's Nest line, or were they part of the general programme of the company's financing?

A. There was one issue on debenture stock about 1903 or 1904 that was stated to be related to this line.

Q. What was the size of that issue?

A. Approximately half a million dollars; otherwise, there was no specific financing in regard to raising the money for the Crow's Nest line.

Q. I see, thank you. Now, in paragraph 12 you list under subparagraphs (a), (b) and (c) -- dealing with the Canadian Pacific submission -- you



list in paragraphs (a), (b) and (c) appearing on page 5, and that is the benefit stated to be, "Exemption from provincial and municipal taxation of the lands granted to the British Columbia Southern until leased, occupied, sold or alienated, and of the railway of British Columbia Southern for ten years from completion."

I take it the situation now is that that line is subject to taxation, is it?

A Yes.

Q. Now, Mr. Reid, would it not be unreasonable or unfair to add as, perhaps, paragraph (d) on this list of benefits resulting from the Crow's Nest Agreement, that Canadian Pacific, as a result of that agreement, acquired rail access to this productive area traffic-wise, an access which it otherwise wouldn't have had?

A. The Canadian Pacific certainly acquired access to this area, but I don't think it would be correct to say that Canadian Pacific wouldn't otherwise have been able to get access.

Q. Now, could Canadian Pacific at that time have built this railway without subsidy?

A. Well, that requires -- that is a question of hindsight. When I look at the accounts today I don't need to worry about what was on the minds of those people, and I would say yes, they would have. They had to use their judgment.

Q. Well, when you say they could have, perhaps I may then ask you would they have built this railway without the subsidy?



A. I expect there would have been some delay, but how long, I don't know.

Q. I suppose it may be fair to say that the risk of that delay might be the possible loss of the area to American lines?

A. Well, again I am using hindsight, and I don't think even two or three years delay would have resulted in that because the policy of Canada has been one of trying to develop the country nationwide and the lines of trade across the boundary there are not part of that pattern that has been developed in Canadian history.

Q. Well, now, the company had been interested even prior to 1892 in getting into the area, had it not?

A. The company actually was in the area, but it was an awkward form of transportation. It went like this; from the main line at Revelstoke there was a branch that went southerly to Arrowhead, which was built fairly early, and at Arrowhead there was a lake route around the Arrow Lakes to Castlegar.

Q. This doesn't appear on the sketch that is in the submission?

A. No, it doesn't.

Q. It is to the west of that?

A. To the west. Then, Canadian Pacific under a charter called Columbia and Kootenay, two or three years before the Crow's Nest Agreement, had built a railway between Nelson and Castlegar which may be called a portage route, and thus there was



communication with Kootenay Lake.

Q. A system which you have fairly described as being rather awkward?

A. Awkward, yes, but nevertheless it enabled the Canadian Pacific to compete with the Great Northern.

Q. After having the attitude of the company towards this possible American competition, I should like to read to you, Mr. Reid, an extract from the annual report of the company for the year 1889. It is just a short paragraph and I will show it to you. Apparently at that time the directors were reporting to the shareholders, and they had this to say:

"To prevent the invasion, by foreign lines, of the Kootenay District, in British Columbia -- a district rich in precious metals and other natural resources -- your directors have secured the control of the charter of the Columbia and Kootenay Railway Company, and agreed with the Provincial Government that the railway shall be built, about 30 miles in length . . ."

A Yes, those are the facts I am trying to describe; that railway was a link in this route that enabled transportation to be carried on between the main line and the Kootenay Lake country.

(Page 1958 follows)



Q. Now, on this question of the attitude to the American competition I want to stay with for a moment, Mr. Reid. There is a quotation which I am going to read to you which says that Mr. Van Horne, who was then the president, wanted to build this line so that the company might be strong enough to mop the floor with the Northern Pacific or any other American company extending its lines into the northwest. Now, this is found in Mr. Currie's book, the first edition. It is the footnote appearing on page 631, and it is footnote 32, and the source of it is apparently Walter Vaughan's biography of William Van Horne. Would that be, from your studies of the history regarding this Crow 's Nest Agreement, a fair statement of the vision and motive in entering into this agreement, and having in mind this author.

A. That quotation puts the thing on a personal basis, and there was a personal basis in the minds of some of these men in what they did which they would express colloquially. Mr. Hill and Mr. Van Horne were personal friends, personal enemies, as it were. At one time both had been on the Canadian Pacific directorate, and then Mr. Hill had resigned and gone into his own railroad, and each was developing a trans-continental system and vied with each other on what they could do. But I don't think too much weight should be given to that colloquial language as against the national interests of Canada that were being served by



this development. I think Mr. Van Horne was one of the most far-seeing men we have had in Canada.

Q. When you say that, I show you again that extract from the annual report, near the bottom of the page. Is that part of Mr. Van Horne's vision?

A. Yes. Canadian Pacific resented any activities of the British Columbia Government of that day in encouraging the invasion by the Great Northern, or any other company of southern British Columbia, but it appears there from the material that is available that the British Columbia Government were taking these measures somewhat reluctantly in order to apply pressure to Canadian Pacific to build its line into southern British Columbia, and the Government of British Columbia thought that nothing would be a better means to bring pressure on the C.P.R. than to permit some other railway to have a charter into that country.

Q. I see. Now, Mr. Reid, would it be fair to say as well as one of the benefits accruing to Canadian Pacific as a result of the Crow's Nest Agreement, the impetus that that agreement, and particularly the guaranteed rate structure under it, gave to sales of the lands in the Prairies?

MR. SINCLAIR: I don't know what my friend means by "the guaranteed rate structure under it". He misunderstood the evidence. That was a disability.



MR. CUMMING: The long shadow of the C.P.R. falls across my page. I haven't misunderstood the evidence. I haven't finished my question.

Q. I am suggesting to you, Mr. Reid, that Canadian Pacific, as a result of the Crow's Nest Agreement, received a benefit in this sense, that because it was in a position to tell prospective settlers that there was a guaranteed rate structure, both westbound and eastbound, there was an impetus and an improvement in the sales of lands in the Prairies which were part of the main line grant.

A. I don't think the Canadian Pacific looked upon reduction in rates under that Agreement as being a burden. When the trans-continental line was first built it was what you might call a high cost line, because it had a tremendous investment laid out with very thin traffic. Therefore, the first tariff issued by the company had to be somewhat higher than the management would have preferred to have in order to make the best possible effort to keep net earnings to meet the heavy fixed charges.

Now, the company, as I remember, conceded that these rates were perhaps rather high but they were necessarily so for a temporary period, and when things could get a turn for the better, traffic could grow, it was right that rates should be reduced. Now, the juncture when this agreement was made represented just about the time when the corner had been turned and the company could think



of reducing rates, and these rates were apparently high enough for the time even under the Agreement.

Q. Now, I want to put this comment to you which I find in Mr. Currie's book, and that is this, from page 631:

"In evidence before the Interstate Commerce Commission in 1923 Mr. W. B. Lannigan, freight traffic manager who had been with the Canadian Pacific since 1884, gave the increase in value of the estate as the main reason for the agreement".

Would you comment on that?

A. I don't follow that phrase.

Q. "Gave the increase in value of the estate as the main reason for the agreement".

MR. SINCLAIR: What note?

MR. CUMMING: Q. Note No. 34 in my edition.

A. I am afraid I have no idea what that means, Mr. Cumming.

Q. Would it be fair to suggest that what he meant was that there was some impetus given to the sales of lands on the Prairies resulting from this rate structure?

A. As to that, about all I have to go on is copies of advertisements that I have seen of those days and information furnished in annual reports of the company. I doubt if the advertising was couched in the terms you suggest. It might



have been advertising which said "low freight rates".

Q. Not low freight rates in perpetuity?

A. Well, perpetuity didn't enter people's minds very much at that time because, as we know, there was great stability in Britain, the United States was growing strong, there were great hopes in Canada, and these countries were on the gold standard. No one had any vision at that time of the disruptive effects that would be brought about by the first war and other subsequent wars in restoring the gold standard and the change in level of prices in such a manner as occurred.

Q. Did the company, following the date of this agreement, do anything in the way of accelerating its promotion of land sales?

A. Yes. Land sales built up just about this time. They had been very slow in the first years of the company, but about 1897, just as there was a general turn in the economy of Canada, there was a reflection in the emigration to Western Canada and in the amount of land that was sold.

Q. And the company had its own immigration department, didn't it?

A. Yes. The efforts made to induce people to come to the West and settle on the homestead lands as well as on company lands were intensified, and the Federal Government also intensified its efforts.

Q. The company had offices overseas, did it?



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A. Yes.

Q. And now, to turn to this summary --
this is perhaps another subject, Mr. Chairman, if you
want a break.

THE ACTING CHAIRMAN: Perhaps we could
have a recess now.

--- Recess.

(Page 1966 follows)



THE ACTING CHAIRMAN: Will you come to order, please?

MR. CUMMING: Q. Mr. Reid, this matter was touched upon by Commissioner Anscomb in connection with the conveyance of 254,640 acres to the Crow's Nest Pass Coal Company which is referred to on page 6 of this submission. I think, Mr. Chairman, it might be as well -- Mr. Sinclair can produce it either now or whenever it is convenient for him, a copy of that agreement so it could form part of the record.

MR. SINCLAIR: Mr. Chairman, I made a commitment to someone here -- I was just telling my friend I thought it was to Mr. Cooper -- we would just run off the Manitoba Agreement and put it in. I found running off the Manitoba Agreement was a little more difficult than we thought it was but we will do it and we will file it as an exhibit if that is satisfactory.

MR. CUMMING: Thank you.

Q. Just to clarify the position in view of what Mr. Commissioner Anscomb was asking, can you tell us just what benefit Canadian Pacific got from this transaction?

A. I do not think I can go beyond what I have said before. The company got assured sources of traffic from the building up of the Crow's Nest Pass Coal Company and also got an assured supply of coal for operating, and that is all I know about it.

Q. That is what you would say would be



railway company, the latter agreed for valuable consideration amongst other things to charge the former at the rate of not more than 6/10ths of its ordinary tariff rates on all 'plant' shipped by the coal company over the lines of the railway company."

Would that 6/10ths provision apply to rates on coal as well as other matters?

A. I am afraid I do not know anything about that subject.

Q. Very well, perhaps we can find out from some other witness or some other source. I note as well in the course of the arguments, Mr. Creelman and Mr. Beatty appeared for the railway company and said as they are reported:

"It cannot be said that the agreement was given for adequate consideration."

A. At that time the ten-year period had expired and I would judge that the question of rates on coal was wide open for negotiation between the company and the coal company.

Q. I was drawing your attention particularly to the argument presented by the railway company that the agreement was not given for adequate consideration.

A. Well, if they were arguing about what coal rates should be in 1908 the agreement would no longer have any application.

Q. I do not want to get into an argument about this, we can go into it at another time.



MR. SINCLAIR: I must say he is not arguing. The witness just said what he thought.

THE ACTING CHAIRMAN: He has said what he thought.

MR. CUMMING: Q. Now, in connection with the conveyance to the Province of British Columbia of 519,075 acres for no consideration, was any tax saving resulting to the company as a result of that conveyance, Mr. Reid?

A. One of the matters involved in working out that arrangement with the Province of British Columbia was that the period of exemption from taxation -- well, it was not really a period, the exemption from taxation did not apply to a great deal of the land because of the fact that it had been leased, sold or alienated, therefore, even if it had been leased it was subject to taxation.

Now, in the light of the production value of that type of land it was not possible for the company out of the revenues to meet the taxes and still break even, so the land as an asset did not have value to that extent.

Q. You show an item of other receipts of \$693,109. Can you tell us what those are?

A. Those are mainly receipts from stumpage timber cutting rights and rentals from land.

Q. I see. Then, of course, we have the expenses and taxes; is there any breakdown, Mr. Reid, in the item of \$1,381,000-odd of expenses and taxes, as between those two?



A. I do not have it separated, Mr. Cumming.

Q. I note from Exhibit 56, Mr. Reid, which sets out the financial results of the British Columbia Southern Railway lands that by 1913 the total net gain, if our arithmetic is correct, was \$1,839,393?

A. Yes, I have examined the figures and I would accept that.

Q. And so substantially the dealings with those lands barely held their own; in fact, showed something of a loss from that period until the account was closed?

A. Yes.

Q. Now, with reference to the interest of Canadian Pacific in Consolidated Mining and Smelting Company, Mr. Reid, can you say whether or not the company, Canadian Pacific, would have acquired its interest as it did if it had not been in a position to secure the traffic from the area?

A. You mean if Canadian Pacific had not been in the area would it have been interested in acquiring this property?

Q. Yes.

A. No, I can't tell you definitely whether the company would have been interested in acquiring this property. I think, though, that the fact that the property was in an area where the company did serve would have had some bearing on the decision to buy it.

Q. Can you tell us what the situation is today as to the percentage of the shareholdings in



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Consolidated Mining and Smelting that are held by Canadian Pacific?

A. It is barely over 50 per cent -- 51.4 per cent of the shares.

Q. And what is the book value of those shareholdings on the books of Canadian Pacific as of today?

A. That is published in our annual report and the book value is \$17,046,561.

(Page 1978 follows)



MR. FRAWLEY: What is the page, Mr. Reid, please?

THE WITNESS: Page 27 of the annual report of 1958.

MR. CUMMING: Q. Is there any difference between that figure and the book value of Consolidated shares as they would appear in Consolidated's books?

A. Yes.

MR. SINCLAIR: After all, Mr. Chairman, I do not know -- maybe we are going into Consolidated Mining and Smelting, but if Commission counsel -- I think, with all due respect, we are getting into --

THE ACTING CHAIRMAN: I do not think it was too far out.

MR. CUMMING: I am going to stop right there, Mr. Chairman.

MR. SINCLAIR: I would hope that Commission counsel is here to assist the Commission. Having regard to that I take it that the Commission wants to know what is 51 per cent of the capital stock on the books of Consolidated.

MR. CUMMING: I am sorry if my friend, Mr. Sinclair, seems to think I am trespassing on his preserve, Mr. Chairman. I asked the question with a view to bringing out something which may be of interest to the Commission.

MR. SINCLAIR: I might say, sir, that is quite all right, except that we have to stand cross-examinations from, I think, seven counsel,



and it has not been my experience to have Commission counsel cross-examine the witness.

THE ACTING CHAIRMAN: They are there to assist the Commission and to clear up the record.

MR. SINCLAIR: That is right. This is information that I am quite sure the staff of the Commission can get from any annual report of Consolidated. Mr. Reid has it, and we have no disability in giving it. It is public information.

MR. CUMMING: Q. Do you have the information, Mr. Reid?

A. The information that I have shows the shareholders' equity as shown in the balance sheet of Consolidated at December 31, 1958 in round figures is \$159.9 million. I have not any further computation, but the rest can be derived from that.

MR. CUMMING: Thank you.

MR. SINCLAIR: I wonder if, with your permission, I could just ask a question to clear the record? All my friend asked was one question.

THE ACTING CHAIRMAN: Yes.

MR. SINCLAIR: I wonder if Mr. Reid has available the book value of an investment at the turn of the century of \$1 million in International Nickel.

MR. MAURO: Well, I think --

MR. SINCLAIR: This question is addressed to the Commission, and I am asking if that would assist the Commission.

THE ACTING CHAIRMAN: Mr. Mauro wishes to



say something.

MR. MAURO: I think my learned friend has had an opportunity of examining in chief, and we have heard all about how they have had good investments and bad investments, and how \$1 million in International Nickel at the turn of the century would be worth a lot of money today. If he wishes to re-examine after the cross-examination is over then he has that right.

THE ACTING CHAIRMAN: I think he only wanted to clear up the record.

MR. SINCLAIR: That is right.

THE ACTING CHAIRMAN: I think it would be better to wait until after the cross-examination.

MR. SINCLAIR: I would not bother if my friends objected to it. It can be taken off the annual reports of International Nickel. It would be a staggering sum; I think we can agree on that.

THE ACTING CHAIRMAN: Mr. Cumming?

MR. CUMMING: Q. I would like you to turn now, Mr. Reid, if you would, to the precis of your evidence at page 5, to the third paragraph down the page where you are speaking about the construction of a 34-mile section of the railway between Kootenay Landing and Procter, and you say in the last sentence that no subsidy was paid in respect to its construction. Can you tell the Commission why no subsidy was paid in that connection?

A. That line was built in 1930, 1931 and 1932, and at that time, I think, it was not



the practice of the Federal Government to grand subsidies for railway construction.

Q. At that time would the company have had a right to a subsidy under the Crow's Nest Agreement?

A. No.

Q. It had gone by the effluxion of time, had it not?

A. Yes.

Q. Now, on the next page, page 6, in the large paragraph you refer to charters which were granted to the British Columbia and Manitoba Railway Company and to the Alberta and British Columbia Railway Company, both of which would apparently have had the right to apply for running rights over the Canadian Pacific line. Can you tell us anything about those companies? Were they bona fide charters, or were they merely speculative ventures?

A. Both of those charters were granted by Acts of the Parliament of Canada, and I do not think any group would promote such a charter, with all the trouble there is in getting a bill through Parliament, without having some --

Q. -- some serious intention of using it?

A. Yes.

Q. Can you tell us what became of the two companies to which these charters were given?

A. Those charters, if I am not mistaken, stipulated that construction would have to be commenced within a certain period otherwise the



right to build would expire, so I presume that the right to build did expire.

Q. In any event, no building was done by either of them.

A. At least, not the full length that was authorized by the charters. It is possible that a few miles were built.

Q. Then, on page 9, at the very top of the page, you refer to 543,496 acres retained for timber and tie requirements. Can you give us any estimate of what that was worth to the company -- that is, the timber and ties that they took off these properties?

A. I have not any definite figures, but the accounting for these lands was done in Calgary by the Department of Natural Resources, and they had a concept of cost accounting. They called it a practice of charging the railway purchasing department for material that was obtained from lands of this character in order to make a good showing in their own accounting, and for that reason I am of the opinion that included in the item "other receipts" in the tabulation here would be some entries crediting this account for the land grant and charging the railway's material and supplies account.

Q. I see. Would the whole of it be in that, do you think?

A. I would think they would have followed a consistent practice in that regard.

Q. So there would be no separate additional



benefit other than the cash items that you have shown coming from this land as a source of railway ties?

A. None that I am aware of.

MR. CUMMING: Thank you, Mr. Reid.

THE ACTING CHAIRMAN: Mr. Frawley, what is the line-up of --

MR. FRAWLEY: I understand that counsel for Saskatchewan is going to begin the cross-examination.

THE ACTING CHAIRMAN: Very well, Mr. Doherty.

CROSS-EXAMINATION BY MR. DOHERTY:

Q. Mr. Reid, might I first direct your attention to the sketch on page 3 of Exhibit 47. There have been one or two questions on that, but I was interested in some of the dates of construction of these lines. The line from Dunmore to Lethbridge, I believe, was acquired in 1892?

A. By lease, yes.

Q. Have you any idea when that railway was built -- the year of its construction?

A. It was built by the Galt interests who owned the Lethbridge mines, and approximately I would think in 1890.

Q. Now, the line running from Calgary to McLeod -- have you the year of construction of that?

A. That was built about 1890 by the Calgary and Edmonton Railway Company.

Q. There has already been reference to the Great Northern line. I believe you said that this was constructed prior to the Crow line, but I



believe you did not give a specific date?

A. I have not that information.

Q. Now, in respect of the actual construction of the railway itself, Mr. Reid, you said you had the power or sufficient authority to construct the line from, I believe the point was, Lethbridge to the British Columbia boundary?

A. Yes.

Q. That would be under the general powers conferred on the railway under its charter?

A. Yes.

Q. And then in order to permit the construction of the line from the British Columbia boundary to Nelson you had to acquire other rights. Can you explain just what the situation was there, Mr. Reid?

A. Yes, the charter was to build from the British Columbia boundary with Alberta to Nelson, and that was held by the British Columbia Southern Railway Company whose predecessor company was incorporated by Act of the British Columbia Legislature, which is referred to as Chapter 44 of 1888.

MR. SINCLAIR: That is the British Columbia statutes.

MR. DOHERTY: Yes.

Q. There was no line actually constructed at that time, as I understand it?

A. At the time of the Crow's Nest Agreement?



Q. Well, at the time that the C.P.R. acquired these lines from the British Columbia Southern Railway.

A. No.

Q. So that the C.P.R. then acquired the powers of the British Columbia Southern, and became entitled to the land grants flowing from the charter granted to the British Columbia Southern; is that right?

A. They became entitled to earn them by railway construction. British Columbia Southern had been unable itself to proceed with the construction. It did not have the financing.

Q. Yes. Were there any other assets acquired in this purchase?

A. None but the powers to construct -- all the powers contained in the charter of British Columbia Southern.

Q. Now, at this particular time the Great Northern Railway, which is the green line in the lower left-hand corner of the sketch, was drawing traffic from that area; is that correct?

A. Presumably.

Q. Were there any other lines that were drawing traffic from that area?

A. I do not believe there were any other railway lines except the Canadian Pacific through Arrowhead to Revelstoke.



Q. May we move along, Mr. Reid, to a reference on page 6 of the precis and about the last paragraph; it is a lengthy paragraph and reference is made to the fact that the Canadian Pacific Railway was not granted a monopoly position. This is a fact, is it, that the Canadian Pacific Railway was not granted a monopoly position?

A. Yes, that is a conclusion I draw from this provision of the Agreement.

Q. Then, you mentioned the provision whereby running power over the Crow's Nest line might be granted. I understood you to say this morning there had been no applications made for any running rights over the Crow's Nest line?

A. I have never heard of any applications having been made.

Q. Now, in your opinion would the Canadian Pacific Railway object to granting running rights either to the Canadian National Railway or the Great Northern, or any other railway along this portion of the Crow's Nest line?

A. In my opinion, did you say?

Q. Yes.

A. In my opinion the Canadian Pacific Railway would object and there would be a hearing if there are any such arrangements provided for by some arbitrary tribunal to decide the issue.

Q. Why would there be an objection, Mr. Reid?

A. The objective of any other railroad



seeking running rights on one of our lines would be to get some of the traffic in the area, and thereby the Canadian Pacific would have less of the traffic in the area.

Q. Is there not under the C.P.R.-C.N.R. Act -- is there not some indication, perhaps, of a spirit of cooperation in running rights?

A I think the provisions of that Act would have to speak for themselves.

Q. Then, going on further, Mr. Reid, where you make reference to charters, and I believe this morning you mentioned that there had been no railways constructed under any of these charters?

A. I don't think there were, Mr. Doherty.

Q. So that the position, then, Mr. Reid, am I not correct in saying, there have been no running rights granted over the Crow's Nest line; there have, in fact, been no other railways built in that area; is that correct?

A. No. Some time later the Great Northern built from south of Crow's Nest Pass across the border into the coal mining area, and the name of the railway, I think, is Morrissey, Fernie & Michel.

Q. Mr. Reid, to all intents and purposes, while the Canadian Pacific Railway has not a position of having a legal monopoly in this area, they have in fact enjoyed a position of monopoly; is that not true?

A. So far as rail transportation is concerned, Canadian Pacific has been the only Canadian line operating in and out of the area; there have



been local lines inside the area.

Q. On page 7 there is mention in the precis of 50,000 acres of coal-bearing lands transferred to the Dominion, the Dominion Government. Now, the Canadian Pacific Railway was in a position to benefit from any traffic arising out of the development of the branch, was it not?

A. Yes. However, I have some information about that acreage, some subsequent history; recently I made an inquiry of the Department of Northern Affairs and National Resources, as to whether the 50,000 acres had been disposed of, whether any coal mining had been carried out and whether the Government realized any revenues from the land, and I was advised on the 4th of December that the 50,000 acres are still held by Her Majesty the Queen in the right of Canada, subject to a proviso contained in the original Crown grant from the Province of British Columbia relating to the reservation of royalty in respect of all timber and cordwood removed as described from time to time by the legislature, and furthermore, these lands are stated to be subject to a provision of the Crow's Nest -- that traces back in the Crow's Nest agreement which states, that any coal that is mined from these lands shall be priced at an amount not exceeding \$2 per ton on 2,000 pounds, free on board cars at the mine, and the 50,000 acres are available for sale, but I take it that that provision of the Crow's Nest Agreement inhibits the Government in being able to sell the land or to permit coal mining



on the land, and no coal has ever been removed.

Thank you, Mr. Reid, for that information.

Now, on page 9, this is where you make reference to the 543,496 acres being retained for timber and tie requirements; are you able, Mr. Reid, to estimate the amount of timber that has been obtained from these lands by the Canadian Pacific Railway?

A. No.

Q. Would you be able to place a valuation on these ties and timbers?

A. Mr. Cumming asked me a similar question, and I am unable to go beyond the answer I gave to him.

Q. On page 10, Mr. Reid, you are speaking of the transfer of the 254,640 acres for the Crow's Nest Pass Company and the agreement with that company, and there have been a few questions on this, Mr. Reid. I was wondering, though -- it is true to say and I believe perhaps you have said this -- that the Canadian Pacific Railway by reason of this agreement was in a position to secure all the traffic from the Crow's Nest Pass Company; that is, traffic outward from the mine and all the traffic inward to the mine, which could be a substantial revenue, I suggest?

A. Yes, the Crow's Nest Pass Coal Company has operated with reasonable success, I understand, and today you can buy their stock on the stock market, and they are operating still.

Q. Could you tell me, Mr. Reid, the significance of the ten-year period that was mentioned



in the agreement?

A. For the rates?

Q. I believe your reference is to the effect that the Canadian Pacific Railway would not mine coal for ten years. I think that is the term.

A. The only significance I see in that is that the Crow's Nest Pass Coal Company didn't want to have the Canadian Pacific Railway mining coal and wouldn't make an agreement unless this stipulation was made.

Q. Well, is it not true, then, Mr. Reid, that the Canadian Pacific Railway transferred this coal acreage to ensure that the Canadian Pacific Railway would earn freight on the coal traffic resulting from a development?

A. Yes, I would think so; I think that would be one of the most important considerations.

Q. Traffic both ways?

A. Yes.

Q. On page 11 of the precis, Mr. Reid, in lines 8 to 11 of the second paragraph, you are referring to the position taken by Canadian Pacific Railway with respect to Consolidated Mining and Smelting.

Now, at this point may I direct your attention, Mr. Reid, to clause (d) of the Terms of Reference of the Commission, which were dated June 8th, 1959, and filed as Exhibit 1? This is Order in Council P.C. 1959-577, of May 13, 1959.

A. Yes, I have that.

Q. Now, by the Terms of Reference, Mr.



Reid, the Commission is authorized to make recommendations upon -- and in paragraph (d) I quote -- "whether, and to what extent the Railway Act should specify what assets and earnings of railway companies in businesses and investments other than railways should be taken into account in establishing freight rates;"

MR. SINCLAIR: Well, Mr. Chairman, I think the Canadian Pacific, considering all the possibilities that are involved in that, will have to rely on people that they employ to instruct them on the Terms of Reference, rather than the witness.

THE ACTING CHAIRMAN: Well, what is the question?

MR. DOHERTY: My point in reading that section was simply to direct attention to the fact ---

THE ACTING CHAIRMAN: There was no question to the witness to interpret at all?

MR. DOHERTY: No, I haven't gone on to that yet.

MR. SINCLAIR: Yet; he says, "I haven't gone on to that yet."

THE ACTING CHAIRMAN: He hasn't got to the question.

MR. DOHERTY: That will be time for Mr. Sinclair to rise.

THE ACTING CHAIRMAN: What is the question, Mr. Doherty?

MR. DOHERTY: Well, may I, before proceeding to the question, Mr. Chairman, quote a passage from



the Canadian Pacific Railway report of 1897, pages 8 and 9.

Q. Have you that report, Mr. Reid?

A. Yes.

Q. There is a paragraph beginning there, "Arrangements have been completed"; it is starting on page 8 and going to page 9. I haven't got a copy of that report, unfortunately.

MR. SINCLAIR: Well, we have, and you must have the wrong date or the wrong page.

MR. DOHERTY: It is 1897, pages 8 to 9.

MR. SINCLAIR: Yes, 1897, pages 8 to 9. That is the official record of the company.

MR. DOHERTY: Perhaps I am wrong in my reference as to the page it starts at, but it says, "Arrangements have been completed, and subject to the approval of the Dominion Parliament" -- it may be that my page reference is wrong.

THE ACTING CHAIRMAN: It must be in that.

MR. DOHERTY: It is an 1897 report, but I may have a wrong page number.

MR. SINCLAIR: Let us try 1896.

MR. DOHERTY: Unfortunately we have no earlier reports, and I am just working from a reference.

MR. SINCLAIR: No, it is not 1896. Let me see what this says.



THE ACTING CHAIRMAN: What is the question, Mr. Doherty?

MR. DOHERTY: Q. The statement, Mr. Reid, reads as follows:

"Arrangements have been completed, subject to the approval of the Dominion Parliament, whereby your company may acquire the Columbia and Western railway extending from Robson to Rossland, 33 miles, for the sum of \$800,000. With this property will be acquired the smelting works at Trail Creek and about 270,000 acres of land in the vicinity, this being included in the purchase price named. Rossland having become the principal mining centre in British Columbia, it was necessary either to build an independent line to that place or acquire the Columbia and Western railway, and the latter was clearly the wiser course".

Now, did the C.P.R. acquire a railway between these points mentioned?

A. Canadian Pacific acquired a railway extending from Rossland through Trail and toward Robson. I don't know if it was fully completed to Robson.

Q. Was it, in your opinion, approximately



33 miles?

A. Yes.

Q. Now, Mr. Reid, in paragraph 3 on page 11 of the precis you mention the acquisition, certain acquisitions from F. August Heinze. Now, was it not a fact, Mr. Reid, that the smelting works at Trail Creek were secured as a part of a package deal in the acquisition of 33 miles of Columbia and Western Railway?

A. This man Heinze evidently controlled the Columbia and Western Railway Company and he also owned the smelting works, and the transaction for both properties was embodied in the same agreement.

Q. Thank you. Now, Mr. Reid, I wish to make a short quotation from a booklet entitled "72 Years of C.P.R. Progress". Have you that book with you or are you familiar with the publication -- "72 Years of C.P.R. Progress"?

THE ACTING CHAIRMAN: Who was the author?

MR. SINCLAIR: Dr. Britnell.

MR. DOHERTY: No, C.P.R., as far as I am able to determine, sir. It is a most interesting and most informative book, Mr. Chairman.

MR. SINCLAIR: It doesn't show any author at all.

MR. DOHERTY: It does list the C.P.R. directors on the first page.

MR. SINCLAIR: Oh, well, a lot of people have listed the C.P.R. directors on the first and second pages.



MR. DOHERTY: It is a most interesting and informative book, Mr. Chairman.

MR. SINCLAIR: I don't know who published it. The witness says he doesn't know.

THE ACTING CHAIRMAN: I think we have to have some source, Mr. Doherty.

MR. SINCLAIR: It may be Dr. Britnell or, maybe even worse, Mr. Frawley.

THE ACTING CHAIRMAN: I think you should try to make some inquiry over night as to who the author of this is.

MR. DOHERTY: Am I to take it at this stage, Mr. Chairman, that the C.P.R. does deny any knowledge of it?

MR. SINCLAIR: We have never seen it until he produced it.

THE ACTING CHAIRMAN: Raise the question in the morning.

I think perhaps this would be a good time to adjourn.

--- Whereupon the hearing adjourned at 4.00 p.m.
to resume at 10.00 a.m. Thursday, December 10, 1959.

ROYAL COMMISSION

ON

TRANSPORTATION

HEARINGS

HOLD AT

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NO EXHIBITS IN THIS
VOLUME.



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ROYAL COMMISSION ON TRANSPORTATION

Proceedings of hearings held in
the Court Room, Board of Transport
Commissioners Offices, Ottawa, Ontario,
on the 10th day of December, 1959.

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In the absence of The Honourable Mr.
C. P. McTague, Q.C., Mr. M. A.
MacPherson, Q.C., presided.



Ottawa, Ontario,
Thursday,
December 10th, 1959.

---On commencing at 10.00 a.m.

THE ACTING CHAIRMAN: Will you come to order, please, gentlemen. Mr. Doherty?

CROSS-EXAMINATION BY MR. DOHERTY (Cont'd):

MR. DOHERTY: Mr. Chairman, at the close of the proceedings last evening I referred to a booklet entitled "72 Years of C.P.R. Progress", and you, Mr. Chairman, asked me to determine the authorship of this document. The C.P.R. has chosen to disassociate itself from the document, and in the time available I have been unable to determine its authorship, and I propose not to read this into the record.

THE ACTING CHAIRMAN: Well, it could not be referred to unless you could show the source.

MR. DOHERTY: I quite appreciate that, Mr. Chairman.

THE ACTING CHAIRMAN: As Mr. Sinclair said, it might have been written by Canadian National, Mr. Hume, Mr. Frawley or Dr. Britnell. I do not think it was, but, however --

MR. MacKIMMIE: I feel left out, Mr. Chairman.

MR. SINCLAIR: He has not seen the document either. Maybe he had better be careful.



MR. DOHERTY: Q. Mr. Reid, paragraph 3 on page 11 of the precis reads as follows:

"Officers of Canadian Pacific, acting on its behalf, by agreement dated February 11, 1898, purchased from F. August Heinze of Butte, Montana, the properties of British Columbia Smelting and Refining Company at Trail Creek for \$200,000."

The consideration, Mr. Reid, was \$200,000, was it not?

A. Yes.

Q. Now, Mr. Reid, may I refer you to page 2002 of the evidence of yesterday's proceedings? This is Volume 14, and it is dated December 9th.

A. Yes.

Q. On that page the first question I asked you is as follows:

"Now, Mr. Reid, in paragraph 3 on page 11 of the precis you mention the acquisition, certain acquisitions from F. August Heinze. Now, was it not a fact, Mr. Reid, that the smelting works at Trail Creek were secured as a part of a package deal in the acquisition of 33 miles of Columbia and Western Railway?"

And you answered as follows:



"This man Heinze evidently controlled the Columbia and Western Railway Company and he also owned the smelting works, and the transaction for both properties was embodied in the same agreement."

Now, would you tell me, Mr. Reid, what was the consideration for the both properties embodied in the same agreement?

A. The consideration for the Columbia and Western Railway was \$600,000, and for the Trail smelter, \$200,000.

Q. So that the total consideration, then, Mr. Reid, would be \$800,000?

A. Yes.

Q. Was there any other property embodied in this agreement, such as, for instance, some land, or something of that nature?

A. The Government of British Columbia had offered a land grant in aid of construction of a railway from Rossland to Robson or Castlegar and thence westerly, and Heinze, by constructing certain mileage, had earned some of this land, and in this agreement he had an arrangement worked out with Angus and Shaughnessy to retain part of the land for himself that had been earned by this railway construction, and to allow the rest to go with the railway.

Q. Can you tell us the amount of the acreage? Was there a quantity of acreage?



A. I have not the particulars of the acreage here, Mr. Doherty.

Q. I have in mind that there is mention, I believe, of something like 270,000 acres of land in the vicinity of the smelter.

A. That, I think, was in the section of the annual report of 1897 that you read; yes.

Q. So there were these 270,000 acres of land?

A. That is what the report said, yes.

Q. May we refer back, Mr. Reid, to page 11 of the precis, paragraph 3, to the sentence which reads:

"Canadian Pacific then appointed a manager who carried on the business under the name Canadian Smelting Works on its behalf."

Mr. Reid, the Canadian Smelting Works was not a corporate body, was it?

A. No.

Q. Was the Canadian Smelting Works, Mr. Reid, a division or a department, or other like portion of the C.P.R.?

A. In the accounting sense it was not. I do not know about the legal sense.

Q. But it was not a corporate body?

A. I am not aware of any corporate structure there. What Angus and Shaughnessy bought was the physical property. There was a company that owned



this smelter, and that company sold its physical property to Angus and Shaughnessy.

Q. So that when the property came into the hands of the C.P.R. it was held by the C.P.R. as an asset of the C.P.R.?

A. Yes, apparently.

THE ACTING CHAIRMAN: That is, they were not buying it personally; they were trustees.

THE WITNESS: They were acting on behalf of the C.P.R., sir.

MR. DOHERTY: Q. And this asset, Mr. Reid, was, to use the words of the precis, under the direction of a manager appointed by the C.P.R. to carry on the business on behalf of the C.P.R., was it not?

A. That is correct. Mr. Shaughnessy appointed the manager, but he was acting on behalf of the C.P.R.

Q. With respect to this property -- the smelting works at Trail Creek -- would it be carried on the books of the C.P.R. at its cost of \$200,000? Would that be correct?

A. Yes.

Q. Now then, there were these three properties, the smelting works at Trail Creek, the Columbia and Western Railway, and the acreage of land -- I believe the figure is 270,000 acres of land. At what value were they carried on the books of the C.P.R.?

A. The three properties?

Q. The three properties.



A. The amount of \$200,000 for the smelter was carried in one account, and the amount of \$600,000 for the Columbia and Western Railway was carried in another account, and there was no item entered in respect of the acreage.

Q. Would it show no value, would you suggest?

A. There was no entry made in that respect, no.

Q. Then, if we may proceed further on, paragraph 4 of the precis reads: "For the purpose of amalgamating these undertakings ..." Now, Mr. Reid, would you enumerate what you mean by "these undertakings"?

A. These were the three blocks of shares in these mining companies that were operating in Rossland. That is, the St. Eugene, the Centre Star and the War Eagle, and also the Rossland Power Company.

Q. And the smelting works at Trail?

A. Yes, the smelter at Trail was a separate matter from these shareholdings that were accumulated.

Q. But I understand you to say it was included in the term "these undertakings"?

A. That is right.

Q. In the last line, Mr. Reid, you refer to the incorporation of a company called Canadian Consolidated Mining, Limited?

A. It is Canadian Consolidated Mines, Limited.



Q. I am sorry; Canadian Consolidated Mines, Limited. In what year did Canadian Pacific incorporate this company?

A. Canadian Pacific did not incorporate this --

Q. Who did incorporate the company, Mr. Reid?

A. I do not know.

Q. Is this information not available from any source?

A. I think it would be available in Ottawa here by looking up the records in the office where charters are issued.

Q. You have not a copy of that charter?

A. No.

Q. About one month later, on February 14, 1906 the name of the corporation was changed to the Consolidated Mining and Smelting Company of Canada, Limited; is that correct?

A. Yes, that is so.

Q. And that is the present name of the company; is that right?

A. Yes.

Q. Now, continuing on in the same line at the top of page 12 you say:

"Shortly thereafter Canadian Smelting Works was sold to Consolidated for 7,500 shares of its capital stock".

Is that right?



A. Yes.

Q. And for this sale C.P.R. then received 7,500 shares of Consolidated?

A. That is right.

Q. Mr. Reid this, then, was C.P.R.'s first move into Consolidated?

A. Yes.

Q. And the consideration for the 7,500 shares of Consolidated -- was it not the smelting works at Trail Creek which had been acquired from F. August Heinze under an agreement dated February 11, 1898?

A. It was that property, yes, plus any changes that had occurred in the interval in the way of additional construction, or whatever it might be.

Q. And this agreement that is mentioned-- the agreement of February 11, 1898 -- included also the Columbia and Western Railway and the acreages of land which we have previously referred to?

A. I do not understand what you mean by that question.

Q. May I re-phrase it, Mr. Reid. We previously referred to the agreement, and I understood you to say that this agreement embodied three assets. There was the smelter at Trail, the Columbia and Western Railway, and a parcel of land which, I believe, is in the neighbourhood of 270,000 acres?

A. Well, this agreement, it is true,



embodied several things, but they were distinctly set out in the agreement, and separated as to what they were.

Q. But I understood you to say that in that agreement there were, in fact, these three assets which I have just mentioned.

A. Well, that is right.

Q. Now, the second transaction, Mr. Reid, is the one referred to at the top of page 12 where you say:

"For the holdings acquired in other companies in 1905 previously referred to, Canadian Pacific received 18,014 shares of Consolidated".

This was the second move by C.P.R. into Consolidated?

A. Actually, the plans were worked out so that I do not think there is any need for describing one as the first and one as the second. It was a plan made to amalgamate these properties. The other parties who held shares in the three mining companies that I have referred to took part in this amalgamation.

THE ACTING CHAIRMAN: Well, I understand your evidence to be that all these transactions were part of the orderly development of the area?

THE WITNESS: Yes.

THE ACTING CHAIRMAN: It was the development of the resources of the area in the interests



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(Doherty)

of the area itself as well as those of the company?

THE WITNESS: Yes, I would agree with
that, sir.

(Page 2016 follows)



Q. In the last line of that same paragraph at the top of page 12 you say:

"This resulted in Canadian Pacific holding initially 25,514 shares or 54.3 per cent of the Capital Stock of Consolidated."

Now, yesterday it is my understanding that you indicated at the present time Canadian Pacific holds 51.4 per cent of the capital stock of Consolidated?

A. Yes.

Q. That is right?

A. That is right.

Q. Now, is it not true, then, Mr. Reid, that over the past fifty-five years Canadian Pacific has controlled Consolidated Mining and Smelting Company by owning over 50 per cent of the shares?

A. There has been effective control but there has not been voting control in the strict sense throughout the period. For example, while the initial holding represented 54.3 per cent, at the end of the next year -- that is, at June 30, 1907 -- the holding was 49.7 per cent, and it varied from time to time, but the lowest proportion held by the Canadian Pacific Railway was at December 31, 1924, when it was 41.4 per cent.

Q. I thought you said there was "effective control"; I thought that was the expression you used?

A. What I meant was that is general when one shareholder or one group of interests owns some



amount of shares, such as 30 per cent, 35 per cent, 40 per cent, that is considered to be effective control.

Q. A voting block?

A. Because the other shareholders are not known to one another and therefore don't find the occasion to combine against the one that has such large holdings.

Q. The position would be, then, that this percentage which would be voted in a particular way -- you are suggesting, as I understand it, the remaining shares, there is not the same cohesion or cooperation in voting, and the same way they may go at variance with one another ---

THE ACTING CHAIRMAN: If you have 30 per cent you have effective control?

THE WITNESS: That is what I am thinking of, sir, but at the time, for example, in 1924 when the holding was 41.4 per cent, I would question whether the Canadian Pacific Railway had the naming of the majority of the directorate; probably the Canadian Pacific Railway was able to name only that proportion of the directorate.

MR. DOHERTY: Q. You are not suggesting that this places the Canadian Pacific Railway in a position which was a disadvantage, are you? They still had effective control through their shareholdings?

A. If there was any serious dispute I think that they would probably hold, but nevertheless



it has been the practice with Consolidated that they have managed their own affairs and they have included among their directorate some of their own officials who were familiar with the business and recommended what action should be taken, and that has led, so far as I am aware, to the directors who are not intimately concerned with the business accepting such recommendations.

Q. Mr. Reid, at page 27 of the 1958 annual report of the Canadian Pacific Railway it states that the Canadian Pacific Railway held 8,412,500 shares of Consolidated Mining & Smelting at a cost of \$17,046,561; that is right, is it not?

A. Yes.

Q Now, I believe you stated yesterday that this represented 51.4 per cent of the outstanding capital of Consolidated Mining & Smelting?

A. Yes.

Q. Now, in the cross-examination by Mr. Cumming at page 1979 of the evidence of yesterday, you stated that the shareholders' equity in Consolidated Mining & Smelting at December 31, 1958, was \$159,900,000?

A. Yes.

MR. SINCLAIR: In round figures.

MR. DOHERTY: Q. In round figures.

Now, on that basis the book value on the Consolidated books of the Canadian Pacific Railway equity would be something over \$80 million; that is, they held, as I understand it, 51.4 per cent?



A. Yes, by using that computation you would come to that result.

Q. Now, at the present time, assuming that the C.P.R. still owns 8,412,500 shares, the market value of those shares would be something in the neighbourhood of \$168 million; is that correct, Mr. Reid?

A. The market value?

Q. The market value.

MR. SINCLAIR: At what date?

MR. DOHERTY: Q. As of yesterday, Mr. Sinclair. The market value, Mr. Reid, as I understand it, as of yesterday was 20-3/8?

A. Yes, something in the neighbourhood of 20, I think, yes.

Q. So that the figure of \$168 million would be the approximate market value of those shares.

A. That seems to be right based on the quotations at the present time on the stock exchange.

Q. Something better than 20?

A. Yes.

COMMISSIONER ANSCOMB: I take it that that is assuming they don't try to sell them all at once?

MR. SINCLAIR: I would assume so.

COMMISSIONER ANSCOMB: There is method to all this?

THE WITNESS: I don't think the market should absorb those shares, Mr. Commissioner, without very drastic effect on the price.



MR. SINCLAIR: So that no one will get excited, I think they ought not to have the view that we are contemplating disposing of them; not today.

THE ACTING CHAIRMAN: Not today.

MR. DOHERTY: Q. Mr. Reid, have you the figures with you that show the revenue that the Canadian Pacific Railway derived from its investment in Consolidated for the period from the inception of Consolidated to December 31, 1958? If you don't have those figures on hand, Mr. Reid, I would be most happy to have them filed as an exhibit..

MR. SINCLAIR: Mr. Chairman, I was waiting until my friend was finished. A question such as that, in my submission, might be relevant and it could not be. It might be relevant when dealing with subsection (d) of the order in council.

In my respectful submission, that kind of question is irrelevant to the issue of the statutory rates on grain, which is the purpose of the hearing which was commenced a week ago, and for that reason I would suggest for the consideration of my friend that he either withdraw the question or, failing that, put it at some other time, or failing that, the Commission rule that such a question is irrelevant to the issue that the Commission is now dealing with and is a matter that the Commission would possibly consider if the matter was brought up again when they are dealing with subsection (d).

THE ACTING CHAIRMAN: Perhaps we will be on this subject later, anyway.



MR. SINCLAIR: Either he or a qualified witness, if it is decided that my friends and the Commission want to have certain people brought forward. I haven't decided and I haven't instructions yet as to how the company will proceed when dealing with subsection (d) of the order in council.

THE ACTING CHAIRMAN: Do you want to press the question now?

MR. DOHERTY: Mr. Chairman, it seems that what Mr. Sinclair is suggesting is that this Commission only deal with one portion of it at a time. My contention would be that we are dealing with all items of the Terms of Reference at all times, and I think that this matter is of relevance here and I would ask that this statement be filed.

THE ACTING CHAIRMAN: I think we are concerned with all the Terms of Reference, but I think that probably since there is an issue between you we had better hold it in abeyance until we discuss it.

MR. DOHERTY: There is this point, if I may say so, that this information is not the type such as Mr. Sinclair has mentioned earlier that will require 400,000 man-hours to prepare.

MR. SINCLAIR: I haven't used such figures.

MR. DOHERTY: In an earlier statement, I believe you did.

MR. SINCLAIR: Not me.

THE ACTING CHAIRMAN: I think we will just reserve our ruling on this and discuss it



later.

MR. SINCLAIR: Thank you.

MR. DOHERTY: Q. Mr. Reid, is it not a fact that the construction of the Crow's Nest Pass line by the Canadian Pacific Railway took the Canadian Pacific Railway to the very doorstep of its mineral interests in that area?

A. No, that is not so, Mr. Doherty.

Q. Would you not agree that certainly the Canadian Pacific Railway was permitted -- or, the construction of a line assisted in the development of this area?

MR. SINCLAIR: What area?

MR. DOHERTY: Q. The area in which Canadian Pacific Railway had mineral interests.

A. That area was Rossland..

Q. But didn't the Crow's Nest line pass within a short distance of Rossland?

A. No, no closer than Nelson.

Q. There has been mention, as I understand, that the Canadian Pacific Railway had acquired this land from Rossland so that it formed a connecting link, I suggest, with the railway which the Canadian Pacific Railway had acquired from Rossland?

A. I think that, perhaps, you didn't follow what I said yesterday, that the Canadian Pacific Railway already had access, quite apart from the Crow's Nest line, just as good access to this area as the Crow's Nest line gave; that is via the Arrow Lakes.



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Q. Well, the railway certainly was an equally good, if not better, means of access, I suggest?

A. It was a longer rail haul and a shorter water haul, but I don't know how the cost would compare in handling material out of that country via Revelstoke as against via Lethbridge.

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Q. But would you agree that the Crow's Nest line certainly was not a means of getting into this rich mineral area?

A. It didn't get the C.P.R. any closer than Nelson.

Q. But it was another means, was it not?

A. Just as I have said, it got the C.P.R. to Nelson.

Q. May I refer to page 13 of the precis and the first paragraph on that page, the first whole paragraph, where you say:

"So far as the freight shipped to and from Consolidated is concerned, the movements occur because of the availability of rail service and are no different in essence from freight traffic arising from the recently established paper mills on the north shore of Lake Superior at Marathon and Terrace Bay".

And so on. Now, is it not true, Mr. Reid, that freight traffic arising at the paper mills is subject to water competition, at least in some of its aspects?

A. At those particular mills?

Q. Yes.

A. That could be, Mr. Doherty.

Q. So there is, then, really some difference in the traffic between those two regions?



A. Well, you have drawn a distinction which would never have occurred to me.

Q. One is subject to water competition.

A. I am assuming that you have knowledge that there is water service available at Marathon and Terrace Bay, and that is something that I don't know.

THE ACTING CHAIRMAN: There would be no water competition for nickel.

THE WITNESS: No, I think not.

MR. DOHERTY: Q. So that there could be a difference, then; that is the point I had in mind. There could be a difference in the traffic.

A. It is possible to navigate the Columbia River, Mr. Doherty.

Q. But it is not an element of competition in this question we are speaking of now?

A. It might be.

Q. But it is not at the moment?

A. Perhaps the rail service is superior and perhaps it is also superior as far as Marathon and Terrace Bay are concerned.

Q. That may be. May I proceed on to the paragraph beginning:

"Confusion also arises in the minds of many..."

I must say, Mr. Reid, that I have some confusion in trying to determine the intent or purpose of this paragraph. Is it intending to establish



that the C.P.R. main line and the Crow's Nest line are completely separate entities and that you treat them as such?

A. No, it is not intended for that purpose.

Q. They are not, then, in fact, separate entities?

A. They are part of the same railway system.

MR. DOHERTY: That you very, very much, Mr. Reid.

Thank you, Mr. Chairman.

THE ACTING CHAIRMAN: Mr. Mauro?

CROSS-EXAMINATION BY MR. MAURO:

Q. Mr. Reid, you and I have the opportunity of hindsight and knowledge of the data from 1896 to the present time. What is your opinion as a historian and statistician and a "data processor" -- is it?

A. An accountant?

Q. Yes, but there is a qualification.

MR. SINCLAIR: A data processor is a machine.

MR. MAURO: I.D.P.

MR. SINCLAIR: That is an integrated data processor.

MR. MAURO: Q. What is your opinion in 1959 of the deal which your company made in 1897?

A. I think it is regrettable that a deal was made that took no account of the possibility



of fundamental changes in the organization of the monetary system. Other than that, I don't have any fault to find with the agreement.

Q. Other than the change in the monetary situation?

A. To my mind that is the great trouble, that at that time the leading countries of the world were on the gold standard and it looked as if we had a civilization that was very stable and likely to make progress, but then the first war came along and ruined some of the countries that were part of that system. Later on the second war came along and went still further in that erosion of former standards, and the result was that the gold standard, which was the bulwark of stable price level, fell away and has not come back to this day and an inflationary trend has been in the air for years now. It is assumed in every-day discussion that this inflationary trend is something that is continuing all the time.

Q. And it affected the Consolidated Mining and Smelting?

A. I think that the price of lead and zinc is somewhat the same per pound as it was many years ago.

Q. How about the interest of the value of stock that the C.P.R. holds in Consolidated Mining and Smelting now as opposed to a number of years ago?

A. It depends what period you are comparing with, Mr. Mauro.



Q. You choose your period?

A. The stock has been quoted at a much higher price than it is now.

Q. In the investment they have in it now, the actual investment in the books of the company as compared to the value of the stock? The point I am making is, first of all, this business of the gold standard and the advantage of the gold standard is certainly a debatable topic to say the least, and I am suggesting to you that it works both ways: What you lose on the swings you pick up on the roundabouts?

A. I don't think that has been the case. I think some regard should be had to other features of the history of Consolidated. These holdings that are under discussion in my evidence here are not the basis of Consolidated today. These holdings are holdings at Rossland; those are all worked out, are not being worked any longer, and the basis of solvency has been the Sullivan Mine at Kimberley, which has nothing to do with this matter whatsoever.

Q. When do you think the monetary situation reached that degree of difficulty that made the Crow's Nest Pass Agreement highly questionable?

A. Apparently at the end of the Second World War it became acute. There were offsetting influences, as you have suggested, and sometimes they may be counterbalancing. The principal offsetting influence was the improved efficiency



of the railroad operation. Now, that efficiency had improved a great deal since 1899, with the result that as late as the beginning of the Second World War the C.P.R. was able to carry on reasonably well under these rates, but the rate increase in wages and prices since the Second World War has been much more than -- much too much, I should say to be offset by the further increases in efficiency.

Q. Would it be a fair statement that prior to the termination of the Second World War there was no appreciable difficulty; you had come to the conclusion that it was a good deal prior to the termination of the Second World War?

A. I would like to have that again, Mr. Mauro.

Q. I say that, according to your evidence, prior to the termination of the Second World War the Crow's Nest Pass Agreement was a good deal for the Canadian Pacific Railway.

A. I think perhaps you are paraphrasing from what Sir Edward Beatty said some time in 1938.

Q. I certainly am.

A. And I don't want to question that statement.

Q. I want to make sure we understand each other. In the last sentence Mr. Beatty says:

"I think he --" (Mr Van Horne) --



"-- made a deal both for the country
and for the railways".

You don't have any difference of opinion
with Mr. Beatty's statement at that time?

A. No. I think, perhaps, Sir Edward
Beatty was thinking of the situation that confronted
Van Horne in making that agreement and not finding
anything to criticize in his action taken at that
time.

Q. Do you think that Sir Edward really
believed that William Van Horne made a good deal,
or do you think he was trying to fool the Senate?

A. I am afraid I can't answer.

Q. The words speak for themselves. Do
you agree --

MR. SINCLAIR: Surely nobody tries to fool
the Senate.

MR. MAURO: Q. Do you agree with the state-
ment in 1938, looking back all those years to the
Crow's Nest Agreement, that in his opinion Van
Horne had made a good deal both for the railway
and for the country?

A. I made a qualification in regard to
the prospects of 1897 of a stable monetary system,
and apart from that qualification that I made, I
agree.

Q. You told my learned friend Mr. Doherty
that the C.P.R. had already, at the time of the
Crow's Nest Agreement, good access to the area by
the Arrow Lakes?



A. Yes.

MR. SINCLAIR: To the Rossland area.

THE WITNESS: There wasn't access to the Rossland area except by coming down from Castlegar to Rossland.

MR. MAURO: Q. Am I correct in my note that I made, Mr. Reid, that you told Mr. Doherty that at the time of the Crow's Nest Pass Agreement the C.P.R. had a good access to the area?

MR. SINCLAIR: What area? What does your note say as to the area?



MR. MAURO: Q. The area that Crow's Nest line subsequently came into?

A. Well, the western end of the Crow's Nest line was Nelson and the C.P.R. already had access to Nelson.

Q. Via?

A. Via the Arrow Lakes.

Q. I am referring now to the annual report of the Canadian Pacific Railway, 1896, page 10:

"But even with these important additions to its facilities for handling the traffic of the mining districts, your company will continue at a disadvantage in competing with the American lines (which have already reached Nelson, Rossland and other important centres in these districts) until it shall have direct railway connections of its own. Until then the greater part of the mining traffic will be beyond its reach and will continue to be, as at present, carried by the American lines southward."

A. Yes.

Q. What did you say about access that you had to the Nelson area and the mining area in 1896?

A. I described that access yesterday as an awkward access.

Q. You told my friend Mr. Doherty this morning that it was a good access -- "just as good"?

A. What I was getting at this morning was



the cost of transportation might have been comparable but naturally it was somewhat slow because of being a water route in part.

Q. There is no serious doubt in your mind that in 1896 the Canadian Pacific was desperate to get a rail line into the area, that they could not compete with the American rates?

A. Yes, I think the officers of the company desired very much to get a line into that area.

Q. That is what that statement means, does it not?

A. I have not argued that whatsoever.

Q. Now also from that report, Mr. Reid, following on on page 10:

"Your Directors are strongly of the opinion that any delay in securing your interests in that direction will be extremely dangerous -- that unless your company occupies the ground others will, the demand for shipping and travelling facilities being most urgent. The Directors feel that they cannot too strongly urge the immediate construction of a line from Lethbridge to a connection with your Columbia and Kootenay Railway at Nelson, a distance of 325 miles, and anticipating your approval they have already taken steps towards commencement of the work on the opening of spring.

"The unfavourable conditions which have prevailed for the past three years have



prevented any effective action towards providing for the traffic of the mining country, but the Directors feel now that the improved position and prospects of the Company, together with the magnitude of the interests at stake, will fully warrant this important step. The interests of the country at large are so much concerned in this question that your Directors confidently expect reasonable assistance at the hands of the Dominion Government."

Now, that pretty well, I suggest, sets out the atmosphere, the environment that led to this agreement with the Dominion Government in 1897?

A. Yes, I think those paragraphs are quite in harmony with the early part of my evidence.

Q. Now, Mr. Reid, the C.P.R. had entered into an option with the Alberta Railway and Coal Company in 1892.

A. In 1892 Canadian Pacific leased a line of the Alberta Railway and Coal Company at a rental equal to 40 per cent of the gross earnings, but, first, the coal company had to widen the narrow gauge to standard gauge before this lease took effect and there was an option in the lease agreement -- not an option, but an undertaking that by December 31, 1897, Canadian Pacific had to buy the land for \$9,000 per mile.

Q. This option had to be exercised on or before the 31st of December, 1897?

A. Yes. Prior to that date it was



optional but it had to be exercised.

Q. The Canadian Pacific had \$981,000 to exercise its option, is that correct? If you check the report for the following year you will see the payment out of \$981,000, \$9,000 a mile for 109 miles?

A. I have no reason to doubt that.

Q. I further suggest the company was finding it difficult to raise capital at that time?

A. 1897?

Q. Yes.

A. In 1897 there was \$1,666,000 raised by the issue of preference stock. That was one source of funds in that year.

Q. I am quoting from the annual report for the year ended December 31, 1896, page 5:

"The recovery in business which afforded such good promise at the date of the last annual report did not long continue. A feeling of dread and uncertainty as to the result of the last general election in the United States, in view of the serious financial questions at issue, caused a stagnation in business in that country probably more serious than that of any of the three preceding years. While this had no very marked effect upon the local business in Canada, it reduced, to a serious extent, the interchange of traffic between the two countries, and your subsidiary railways in the United States, the Minneapolis, St. Paul & Sault Ste. Marie and the Duluth, South Shore



& Atlantic suffered an important shortage not only in their domestic traffic, but in the business interchanged with your lines, making it necessary for your company to again give them financial assistance.

"6. The chief cause of loss in your Canadian business during the last half of the year was the short wheat crop in the West . . ."

It was a little different then, the wheat crop was paying apparently a good rate then because a short crop was bad for the company:

". . . which furnished for carriage about ten million bushels less than that of 1895. Better prices for wheat and the development of traffic in the mining districts of British Columbia prevented so large a shrinkage in earnings during the second half-year as might otherwise have been expected, and the year's results are, considering everything, not unsatisfactory to your Directors."

Is that the situation as of December 31, 1896?

A. In fact, a little later, Mr. Mauro, because this report so far as I can see was dated February 15, 1897.

Q. So the financial situation was a little tight?

A. I brought that out in my evidence, Mr. Mauro.

Q. Do you think they were very anxious



to raise money to exercise their option to buy the Alberta Dunmore Railway, the \$981,000 they needed?

A. I know it was always a problem in those days to get money.

Q. Just for the record, Mr. Reid, I will also quote you from "A History of the Canadian Pacific Railway" by Harold A. Innis. I do not know if this comes in editions but this one is published in 1923 and at page 280 it says:

"The depression of the nineties which occasioned a decline in earnings and in the earnings of subsidiary lines, the Duluth, South Shore & Atlantic, and Minneapolis, St. Paul and Sault Ste. Marie, made impossible the sale of preference stock at a satisfactory price and even made it necessary to reassume £300,000 of this stock negotiated before the depression. With recovery £100,000 was marketed at nearly par in 1897 and £2,285,000 a year later."

That is about the situation?

A. That is the same type of statement that I furnished in evidence.

Q. I just want to try and create as best we can the atmosphere surrounding this company entering this agreement because I will suggest to you, Mr. Reid, that the company thought this was such a good agreement that it made some pretty fantastic concessions in the agreement?

THE ACTING CHAIRMAN: I take it, Mr. Reid,



that the sale of preference stock was not at too great a discount?

THE WITNESS: I may be able to tell what the rate was -- it was a par value of £375,000 in 1897 and the realization was \$1,166,399. Now, I cannot convert the pounds mentally here.

THE ACTING CHAIRMAN: The pound was \$4.86.

THE WITNESS: I do not think it is much of a discount. You will recall that this stock is a 4 per cent non-cumulative stock.

MR. MAURO: Q. One further quotation on that phase, Mr. Reid, from J. W. Dafoe's "Clifford Sifton in Relation to his Times", and I would appreciate your comments as a historian and statistician. At page 146 the footnote says:

"Apparently there were also questions of high policy involved in this arrangement. In an open letter to the Press of Canada, dealing with railway questions, written by Sir Clifford Sifton in January, 1929, there appears this passage: 'I remember when as a young minister in Laurier's cabinet, Van Horne and Shaughnessy said a line into the Kootenay mining district would not be considered for fifteen years. Also I remember that within six weeks the same two gentlemen came into my office and said they had to build this line and wanted a large bonus for doing it, that the C.P.R. was on the verge of bankruptcy. We gave them this



bonus against the public sentiment of two-thirds of the people of Canada. They built the line and the Kootenay mining development saved the C.P.R. and saved a good many other things in Canada.'"

Do you think there is any corroboration in your research into the historical factors surrounding the Crow's Nest Agreement that would lead you to support that quotation from Sir Clifford Sifton's open letter dated January, 1929?

A. Perhaps you could help me if you could tell me when that interview in his office took place. What was the date?

Q. I have no idea, I am just quoting it to you as it appears here.

A. I could not give you any information as to the financial position of the company at any general time.

Q. It is right at the foot of the page.

A. Unless I knew when this interview took place -- there was a very severe financial strain on the company in 1894 and 1895 but by 1897 this had been relieved.

Q. I suggest to you, Mr. Reid, that in fact the recollection of Sir Clifford Sifton is in effect the situation that this financial plight of the C.P.R. had reached that degree of desperation that resulted in an agreement by that company to reduce their rates on listed commodities westbound, reduce their rates on grain and grain products



eastbound, to grant running rights to any other railroad over the line they were about to construct; they would grant the Dominion Government the power to set up a commission that would control rates on the C.P.R. whereas before they had been given the power under the charter to earn an amount not to exceed 10 per cent. That would give the control of the sale of land other than coal-bearing lands over to the federal authority, an agreement that would grant 50,000 acres of coal-bearing land in order to maintain prices at \$2 per ton. I suggest to you that the atmosphere that surrounded the C.P.R. entering into that agreement would, I suggest, corroborate that at this date the Canadian Pacific was so desperate to get into the area and straighten out their financial difficulties and exercise their options on the Lethbridge and Dunmore railroad, that they entered into the Crow's Nest Pass Agreement.

A. I think that is completely untrue. The C.P.R. was by no means in such financial difficulty at this time or in such desperate need of capital that \$3,400,000 would have weighed to that extent.

(Page 2047 follows)



Q. Why do you think they did, then?

A. I think that you have attached your own weight to these considerations and magnified them in your mind beyond their real weight.

Q. Do you think they were magnified in the minds of the Parliament of the day and the people of the day? Do you think it was an important public matter, Mr. Reid?

A. It was a matter of great interest, particularly in Alberta and British Columbia, and was of great interest to the Legislature of British Columbia, to the Parliament of Canada and to the Canadian Pacific.

Q. There was a little bit of trouble over it, was there not, Mr. Reid? There was a lot of public outcry about this agreement? When Sir Clifford says that they built the line against two-thirds of the public sentiment of Canada, he was not just talking, was he?

A. Yes, he was just talking, Mr. Mauro. The Act was voted on in the House of Commons, and in the Senate, and it was passed.

Q. I will quote to you from ---

A. And, furthermore, the Opposition party supported the legislation.

Q. You and I know ---

THE ACTING CHAIRMAN: I think we will have a recess now.

---Short recess.

THE ACTING CHAIRMAN: Will we come to



order again, gentlemen, please?

MR. MAURO: Q. Mr. Reid, at the adjournment we were discussing the political atmosphere surrounding this Crow's Nest Agreement, and I had suggested to you that there was a considerable degree of hostility publicly, and amongst some of the political parties of the day.

A. Hostility towards ---

Q. There was a feeling against the agreement that the government had entered into?

A. I did not hear any information to that effect.

Q. There had been, as you mentioned in your precis, the prior suggestion of Tupper that they would give part by way of subsidy and part by way of loan, and Blair and Cartwright, when they introduced their Bill in the House, suggested that while they were making a greater or more generous offer to the C.P.R. they felt it was sound because they were demanding more from the C.P.R. than had the former Conservative government?

A. Well, the offer that was set out in the resolution that was tabled by Sir Charles Tupper in 1896 was a more generous aid than that which was actually given in 1897.

Q. And was that the current opinion at the time?

A. I think it is apparent, on the face of it.

THE ACTING CHAIRMAN: That provided for



a payment per mile, and a loan?

THE WITNESS: Yes, it was -- if I can pick it up here. It was \$5,000 per mile as a subsidy, and a loan or a guarantee at the rate of \$20,000 per mile at $3\frac{1}{2}$ per cent.

MR. MAURO: Q. I will read the notes that I have made from my research, and you can see if they agree with the notes which you must have made from your research. The defence of the Liberal offer was made at length by the Minister of Railways and Canals, Mr. Blair, and the Minister of Trade and Commerce, Sir Richard Cartwright. One curious element in this defence was provided by Mr. Blair who insisted, on the one hand, that the agreement was the best possible one to which the government could secure the assent of the officials of the Canadian Pacific Railway Company while, on the other hand, he informed the House that he did not believe the officials of the company when they stated that the company would build the Crow's Nest Pass line even without government aid. On this point Mr. Blair made the following statement, and this is in the Debates of the House of Commons of that year at page 4514; Mr. Blair is quoted as follows:

"I know that there has been the opinion expressed that possibly the Canadian Pacific Railway would have been able, without assistance at all from the government, to carry out that undertaking successfully. I know that in the report of a meeting of the shareholders of that company, which was held two months



ago, the statement appeared that if the government did not assist the Canadian Pacific Railway they would take hold of the work themselves without assistance. But I believe that that statement was not so much the declaration of a fact within the knowledge of the company itself as a statement put forward perhaps for the purpose of creating an impression for other ends, it may be upon public opinion or the government of the country, and not that the company was in a position to take up the very large outlay involved by the construction of the line; because I believe that neither the Canadian Pacific Railway nor any other company at this time is so well situated that it would be able, without our aid, to construct the work . . ."

Both Mr. Blair and Sir Richard Cartwright ---

MR. SINCLAIR: Would you go on with the next sentence?

. MR. MAURO: I do not have it.

THE WITNESS: I have it, Mr. Mauro. It reads:

"Therefore I think it is not too much to say ~~that~~ unless the government came to the aid of any company that was in a position to assume the undertaking or unless the government undertook to build the road itself, many years would have to elapse before the construction of the Crow's



Nest Railway would become an accomplished fact."

MR. MAURO: Q. Thank you. Both Mr. Blair and Sir Richard Cartwright accepted the view that the Liberal subsidy offer was more generous to the Canadian Pacific Railway Company than the Conservative offer had been. Their entire justification was, however, that the Conservatives had proposed to exact no condition whatsoever from the railway in exchange for the subsidy and loan, while the Liberal government, although offering a larger subsidy, were coupling their offer with the exaction of conditions concerning the rates of the Canadian Pacific Railway, conditions which would be of the utmost importance to the nation and to its various parts.

I quote from Mr. Blair's speech at page 5347, and, again, I do not have the full paragraph, Mr. Reid, and you can add to it if this is out of context.

A. There seems to be no page 5347.

Q. What about page 4347?

A. There is a page 5346 and then page 5348, and the text goes on without a break, so I think that is correct.

Q. How about page 4522; have you got a page 4522?

A. I have that page.

Q. Is Blair still speaking?

A. He is starting to speak on that page.

---(Document handed to Mr. Mauro by Mr. Sinclair).



MR. MAURO: Q. This is from Hansard of June 18, 1897. It will be from page 4522 in the second column that I will be quoting from, and part way down starting with the words: "The Committee will have noted . . .".

A. Yes, I have it.

Q. "The Committee will have noted that we have sought to ensure the country a large measure of relief from the rates which have obtained since the Canadian Pacific Railway was started. We have imposed conditions upon the company which are very largely restrictive of their present powers. We have embraced in one of the subclauses of these resolutions a considerable list of articles which go into very large consumption among the people of the western provinces, and we have secured an agreement on the part of the Canadian Pacific Railway that very substantial reductions will be made upon the existing rates. We have also received the consent, on their part, that the rates upon all goods -- whether they are shipped in or shipped out, either going into or coming out of any portion of the province which is covered by the route of this railway, or any freight or merchandise which either is shipped into British Columbia over this line, or shipped out of British Columbia over this line -- are to be subject to the control and supervision



of the Railway Committee of the Privy Council as is the case with other railway companies in Canada."

Now, I suggest that Mr. Blair and Sir Richard Cartwright were alleging that they had extracted conditions from the C.P.R. under their agreement with the Conservative government that Tupper had not been able to extract?

A. I am a little confused, Mr. Mauro. I thought that you were trying to say earlier that this agreement was more favourable to the C.P.R. than the other that was proposed by the previous government.

Q. No, no. I say that the Liberals admitted it was a more generous offer, but that it contained conditions which they said they had extracted.

A. It certainly was not a more generous offer. I think I have shown why that is so. It is also true that the proposal that was tabled by the previous government did not contain a number of the conditions that were put into the agreement of 1897.

Q. Then, there is just one other point on this particular page, Mr. Reid, namely, the matter of the public sentiment at the time. I am quoting from Mr. Dafoe's book on Sir Clifford Sifton, page 147:

"Such was the Crowsnest railway arrangement, over which there was heated controversy for the next few years in western Canada. It was attacked with fury by the Liberal insurgents. The points about it which



particularly distressed them were the granting of money to the Canadian Pacific Railway, with which company they had long maintained a feud; and the securing by the railway corporation of these coal lands. The charge that the Dominion Government had given these lands to the company was persistently made; and upon the clear demonstration that this was purely a provincial matter some of the government's assailants, hardened veterans though they were of the anti-disallowance war in Manitoba, took the ground that the Dominion Government was culpable, because it had not protected the people of British Columbia against their own government by disallowing the charter of the British Columbia Southern Railway which authorized this grant."

Do you agree with Dafoe's analysis of the political sentiment of the day?

A. I think that are elements in that analysis that have carried right down to the present day, and that evidence that I have given should go a long way at the present time towards disabusing certain people of these ideas that have been prevalent for more than fifty years.

Q. At page 7 of your précis, Mr. Reid, you refer to the rather low value of the land received by way of grant, and at pages 8 and 9 you state that 2,549,699 acres were sold to the Province of British Columbia for 40 cents per acre. Was this the only consideration for this land



received by the C.P.R.?

A. I think there was some adjustment of the tax claims of the government of British Columbia, but on the part of British Columbia one of the reasons why the government entered into the agreement for the relinquishment of the lands was that the government was unable to deliver all the land. Some of these lands in the blocks had been alienated to squatters and the like, and it was quite difficult to establish enough acreage to meet the amount granted.

Q. Do you think that in addition to what you have set out in your precis that the C.P.R. received from the government of the Province of British Columbia any other consideration for the 2,500,000-odd acres than the 40 cents per acre?

A. Well, anything in the way of tax abatement is reflected in the statement of the receipts and expenditures of the grant that I presented.

MR. MAURO: Is that Exhibit 55 or Exhibit 56?

MR. SINCLAIR: It is Exhibit 56.

THE WITNESS: Yes, Exhibit 56.

MR. MAURO: Q. Would you point out that figure?

A. It is the absence of the figure, Mr. Mauro, which would have increased the expenses.



Q. I am looking at chapter 37 of the Statutes of British Columbia, 1912, and the schedule attached thereto entitled, "Memorandum of Agreement made the 31st day of January, 1912." Perhaps I should read it, Mr. Reid, and then I will show it to you.

A. I have a copy of the agreement with British Columbia.

Q. I am reading from the preamble:

"And whereas the Canadian Pacific Railway Company is the lessee in perpetuity of the railways, lands, and works of the British Columbia Southern Railway Company and Columbia and Western Railway Company:

And whereas disputes have arisen between the parties hereto as to the right of the Crown in right of the Province of British Columbia to subject to taxation the land grants of the British Columbia Southern Railway Company or parts thereof:

And whereas, under the provisions of the Statute 53 Victoria, chapter 42, known as the 'Shuswap Railway Guarantee Act, 1890,' the Province has from time to time advanced certain money to provide for the payment of interest on the bonds of the Shuswap and Okanagan Railway



"Company, aggregating to 31st March,
1911, the sum of \$387,771.07:

And whereas the Canadian Pacific
Railway Company is the lessee of and
exercises the franchises of the Shuswap
and Okanagan Railway Company:

And whereas the Crown in right of
the Province of British Columbia has
requested the Canadian Pacific Railway
Company to acquire ownership of, take
over, and operate as part of its rail-
way system the railway and works of the
Kaslo and Slocan Railway Company...

Now, therefore, this Agreement wit-
nesseth that,

1. The British Columbia Southern
Railway Company agrees to sell and convey
to the Crown in right of the Province
of British Columbia, and the Crown in
right of the Province of British
Columbia agrees to purchase, all those
portions of the lands granted to the
British Columbia Southern Railway Company
by the Crown grants hereinbefore men-
tioned which the said Company has not
sold or contracted to sell at the date
of this Agreement, reserving, however,
to the said Company all timber upon
the lands covered by timber permits in
force at the date of this Agreement and



"and during the existence of each
respective timber permit,"

It says further on, "which said areas are
estimated to contain 543,496 acres,".

In paragraph 5, Mr. Reid, it says:

"5. The Crown in right of the
Province of British Columbia agrees
to release the British Columbia Southern
Railway Company and all its lands and
properties from all liability in res-
pect of assessments or taxes hereto-
fore imposed upon the said Company in
respect of the lands comprised in the
said land grants to the British Columbia
Southern Railway Company or any of
them, in so far as said lands remain
unalienated by said Company."

And in paragraph 7 it says:

"7. The Canadian Pacific Railway
Company agrees to repay to the Crown in
right of the Province of British Columbia
the amounts advanced by the Crown for
the payment of interest on the bonds
of the Shuswap and Okanagan Railway
Company up to the 31st day of March,
1912,"

And paragraph 8:



"8. The Canadian Pacific Railway Company agrees to indemnify against and to release or procure to be released the Crown in right of the Province of British Columbia of and from all further liability in respect of the payment of interest upon the bonds of the Shuswap and Okanagan Railway Company, under the provisions of the Statute 53 Victoria, chapter 42, hereinbefore mentioned, and the Crown, subject to the effectual maintenance of the said indemnity, agrees to release the Shuswap and Okanagan Railway Company and the Canadian Pacific Railway Company from all liability to account for or pay to the Crown any portion of the earnings derived from the operations of the said Shuswap and Okanagan Railway."

And then it is the province of British Columbia in paragraph 9:

"9. The Crown in right of the Province of British Columbia agrees to acquire and transfer to the Canadian Pacific Railway Company the capital stock, railways, undertaking, right-of-way, and works of the Kaslo and Slocan Railway Company, as at the date of purchase thereof by the Crown, freed and discharged from any mortgage,



"charge, or bonded indebtedness, in consideration of the sum of \$25,000 to be paid by the Canadian Pacific Railway Company to the Crown upon the completion of such transfer."

So that the agreement for the transfer of these shares of these 2,500,000 acres was not simply restricted to 40 cents per acre; there were more circumstances and disputes on the taxes.

A. You skipped a good deal of the language in this agreement, Mr. Mauro.

Q. Yes, I did; perhaps you would add those parts that have been left out.

A. No, I am afraid I couldn't pick them out.

Q. Well, the agreement will be before the Commission.

A. The agreement was ratified by the Act of the Legislature of British Columbia and it is available to anyone for examination.

Q. Yes, dated the 27th of February, 1912.

THE ACTING CHAIRMAN: That will be before the Commission.

MR. MAURO: Q. My point simply is, Mr. Reid, that simply stating that they received 40 cents per acre doesn't give a complete description of the situation which passed between the parties to that agreement.



A. This agreement needs a good deal of study, Mr. Mauro. You have referred several times in reading passages to the Shuswap and Okanagan Railways. Now, if you are intending to indicate that there was some favourable bargain to the Canadian Pacific Railway in that part of the transaction, I don't think that that would be a safe statement to make without a great deal of study. There was a good purpose in regard to that portion of the transaction, and you have also referred to the Kaslo and Slocan Railway, and there again a great deal of study needs to be given to the circumstances to understand why this transaction was made in regard to the Kaslo and Slocan Railway. You did read the point that the Canadian Pacific Railway was to pay \$25,000 for the capital stock of that company.

Q. I am glad you brought that out because that is exactly the purpose in mind in pointing this out, that the matter is not just a simple statement that the Canadian Pacific Railway transferred 2,500,000 acres to the province of British Columbia, and I would say that this required a considerable amount of study on both sides.

A. Well, if you will pardon me I would like to say that while there was one agreement that covered a number of subjects, I have not been able to see in my study that they were completely interwoven in the way you have indicated.



I have no information here to be able to describe the whole situation of the Shuswap and Okanagan transaction or the Kaslo and Slocan transaction, but these facts can be obtained and they can be analyzed and a proper conclusion can be drawn.

Q. I suggest to you, Mr. Reid, that contrary to what you have said that they are not interwoven, the very nature of the agreement which you and I have just looked at was such as to interweave all of these deals, because the question of the 2,500,000-acre transfer and the 40 cents an acre that the Government of British Columbia paid to you, according to this agreement it was all tied up with these other factors. I am not putting any interpretation on that, and I agree with you completely that it required considerable study; I am suggesting they are, in fact, all part of the same agreement with the province of British Columbia.

MR. SINCLAIR: We will admit they are all part of the agreement.

THE ACTING CHAIRMAN: Unless it is necessary, let us not go into the Kaslo and Slocan; we have had quite enough of that.

MR. SINCLAIR: The agreement, I think, my friend will admit -- and he didn't read this section -- specifically deals with the point that is in clause 3, and there is another part of clause 1 that he didn't read that I think my friend should have.



MR. MAURO: It is cross-examination.

MR. SINCLAIR: In the sense of what Mr. Reid is saying, that the agreement speaks for itself, and he said what his interpretation was.

THE ACTING CHAIRMAN: It is not material, I suppose, what the financial position of Shuswap and Okanagan is. You can go on.

MR. MAURO: Q. I suggest, Mr. Reid, that the completion of the Crow's Nest Railway resulted in considerable improvement in the traffic position of the railroad in that area, vis a vis their former method of water and rail transportation.

A. There was a further development of the area when the railway came in; there was a good deal of shipping of lumber and there was opening up of mining operations, and I think that probably there was pretty good traffic on this line.

Q. Now, the source of my information on this is Innis, "Settlement and the Mining Frontier", and just to give some context to this particular page, I will start here:

"The collieries on Vancouver Island were a major source of coke for the Kootenay and, as late as 1898, 32,000 tons were secured from Comox. During the same year the Crow's Nest collieries supplied less than four hundred tons. The Crow's Nest Pass Coal Company was granted coal lands on condition that coal should not exceed



"\$2 per ton at the mine head. . . Coke ovens were built (30 at Fernie in 1898) in anticipation of the completion of the Crow's Nest railway. In 1899 the source of coal and coke for the Kootenay shifted almost entirely to the Crow's Nest region. In 1900 the Crow's Nest Pass Coal Company shipped 66,000 tons of coke and 103,600 tons of coal; in 1901 the corresponding figures were 111,700 and 199,000 tons respectively. By 1902 there were approximately one thousand coke ovens in operation in the Crow's Nest district, and in 1903 the output of coal was 340,000 tons and of coke, 150,000 tons."

And the freight rates, as they are there, Crow's Nest to Nelson, it is \$2.25 per ton, so that on coal alone the increase in traffic for the Canadian Pacific Railway was, to say the least, considerable?

A. I would go along with the increase in population and industry, Mr. Mauro, but you have mentioned the shipment of coal from Vancouver Island to the Kootenay district, and I think you must realize how that coal would move, namely, by Canadian Pacific to Revelstoke, Arrowhead, and then by the Arrow Lakes to the market.

Q. I imagine there is considerable difference in the revenue to the Canadian Pacific



Railway from 1898, 32,000 tons in that manner, and in 1900, two years later, 66,000 tons of coke and 103,000 tons of coal.

A. Everything is growing, yes.

Q. Your statement on page 11 of your precis, Mr. Reid, firstly the statement that, "The above facts set forth all aid either by cash, land or otherwise received by Canadian Pacific..."

Now, is that completely accurate? There are other factors involved such as those set out in the agreement with the British Columbia Government that may properly be considered by this Commission or any other party interested in this matter.

A. I expect the Commission will consider this statement I have made, I see no reason to vary it whatsoever.

Q. Now, we come to this matter; the second phase of this statement touched upon Consolidated Mining and Smelting, and Mr. Doherty touched upon this, Mr. Reid, and I will just briefly refer to it. Would there, in your opinion, have been any interest by the Canadian Pacific Railway in the British Columbia Smelting Company had not the railway had this line available for mineral exploitation?

A. Which line are you referring to?

Q. The Crow line.

A. I think that there might have been an interest in this smelter on the part of the Canadian Pacific Railway even without the Crow's



Nest line.

Q. And do you think that the Canadian Pacific Railway would have purchased the interest in the British Columbia Smelting in the absence of the Crow's Nest Agreement with the Dominion Government?

A. I think it is possible, Mr. Mauro, because the Columbia and Western Railway ran from the smelter to navigable water at Castlegar and Robson where communication was available with the main line of the Canadian Pacific.

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Q. I suggest to you, Mr. Reid, that the construction of the Crow's Nest railway and the C.P.R.'s interest in the British Columbia Smelting are all one of the same package operation and similar motive.

A. They are distinctly different, Mr. Mauro, and I have pointed out why.

Q. I am showing a map, Mr. Chairman and Commissioners, appearing in the 1891 Annual Report, and I notice the line of the C.P.R. at that time was planned -- would you show us where the British Columbia Smelting line is, the line that they purchased from F. August Heinze.

A. It is not on that map.

Q. Isn't there a dotted --

A. That is a route on the Columbia River.

MR. COOPER: I am afraid that will not come out on the record, Mr. Chairman, putting fingers on maps.

MR. MAURO: Q. It is my suggestion, Mr. Reid, that the C.P.R. obtained their interest in British Columbia Smelting in the direct process of obtaining routes and railway mileage in the Kootenays.

A. That is a very general statement, Mr. Mauro. The transaction took place during a certain period of years when development was going on in that district.

Q. The Trail smelter -- correct me if I am wrong -- was built and owned by F. A. Heinze;



he had built the smelter in conjunction with a railway from Rossland to the smelter and there was approximately 33 miles of rail line.

A. It wasn't in conjunction in the legal sense. The Columbia and Western Railway was one entity and the smelting company of which he evidently owned the shares, was another.

Q. The first smelting unit of Heinze was in operation in February of 1896 and five furnaces by 1897, and the railway had been constructed under a charter granted to his company, the Columbia and Western Railway Company whose franchise permitted construction to the Pacific coast; is that correct?

A. I would accept that.

Q. It was this franchise which I suggest was very important to the C.P.R. but would have been worthless without the complete link of the Crow's Nest line?

A. No.

Q. And I further suggest that it was for this railway of Heinze that the smelter was obtained.

A. The smelter was obtained in the manner which I set out in my evidence.

Q. I refer you to the annual report of 1897 of the C.P.R. at page 7, commencing in paragraph 15:

"The coal deposits made accessible by the Crow's Nest railway are of great extent and extraordinary character. The



"aggregate thickness of the beds in the immediate vicinity of the railway exceeds 125 feet, and the coals are of excellent quality and make superior coke, the latter being of a special consequence as affecting the smelting of ores; and in this connection it is worthy of remark that the mining districts of southern British Columbia are exceptionally fortunate in possessing an abundance of coal, a boundless supply of timber, numerous water-powers, a healthy climate, and, close at hand, agricultural district affording cheap and plentiful food.

Arrangements have been completed, subject to the approval of the Dominion Parliament, whereby your company may acquire the Columbia and Western Railway extending from Robson to Rossland (33 miles) for the sum of \$800,000. With this property will be acquired the smelting works at Trail Creek, and about 270,000 acres of land in the vicinity, these being included in the purchase price named.

Rossland having become the principal mining centre in British Columbia, it was necessary either to build an independent line to that place or acquire the Columbia and Western Railway, and the latter was



"clearly the wiser course".

Now, the agreement with the Government was executed in September of 1897, Mr. Reid?

A. Yes.

Q. And the C.P.R. took over the Trail smelter in March of 1898?

A. I don't have a date.

Q. You could look that up.

A. The agreement was dated February 11, 1898. It sounds reasonable.

Q. And they operated under the name of Canadian Smelting Works.

A. Yes.

Q. Now, between the organization of Consolidated and the year 1918 there was, as I understand it, a great deal of trouble in extracting the zinc, especially from what subsequently was referred to as the Sullivan mine.

A. Yes, but the Sullivan mine was not in the picture as far as Consolidated was concerned at that time.

Q. But this smelter at Trail went into what subsequently became known as Consolidated Mining and Smelting?

A. It did, yes. If you would permit me, I would like to make a statement about the Sullivan mine.

The largest single element in the success of Consolidated was the Sullivan mine at Kimberley.



This was discovered in 1895 by Pat. Sullivan, Ed. Smith, John Cleaver and Walter Burchett. Development work and mining were done, but in 1907 the smelter and mine were closed owing to serious metallurgical and financial difficulties. In 1909 new owners took over and being unable to solve the problems of extraction optioned the property to Consolidated which exercised the option in 1910. By 1914 the Sullivan mine was the largest lead producer in Canada, and in 1920 the selective flotation process was developed which opened up the greatest period of prosperity.

Q. And they developed the differential floatation process around 1918 and that is what brought the Sullivan mine into real production, processing over a thousand tons of ore per day. But I understand the background to the Sullivan operation. My questions are restricted to the acquisition of the Trail smelter which was the introduction of the C.P.R. into this valuable business of mining and smelting. In your summary you state that the interest in the smelter was purchased for \$200,000, page 11 of your precis?

A. Yes.

Q. Does that appear in the agreement between F. August Heinze and the trustees, that breakdown?

A. I can read certain passages from the agreement which indicate how it was done.

"The said vendor shall sell and the purchasers --"



That is Angus and Shaughnessy --

" -- shall purchase certain other properties hereinafter described and at the price and on the terms hereinafter specified."

Again:

"The purchasers will pay the said purchase price as soon as the land and properties described in the said schedule A as those to be conveyed shall be conveyed to the purchasers as aforesaid."

What was the purchase price?

A. \$200,000.

Q. What is the president of the company referring to as \$800,000?

A. The two amounts, namely, \$600,000 for the Columbia and Western, and \$200,000 for the Trail smelter.

Q. It was one agreement or two agreements?

A. One agreement.

Q. But in the agreement is there a separate paragraph covering the smelter?

A. It is a long agreement.

Q. I wonder if I could have filed a copy of the agreement?

MR. SINCLAIR: Really, Mr. Chairman, I don't know. I have a copy, a photostat of official documents, about 40 or 50 pages.

THE CHAIRMAN: Mr. Mauro might see it,



and if it can serve any purpose it can be filed.

MR. FRAWLEY: I was going to ask to have it filed two or three times.

MR. MAURO: Q. I suggest, Mr. Reid, that the annual statement from which I quoted, that of 1897, sets out, in fact, the intent and nature of this purchase, that the C.P.R. was purchasing the Columbia and Western Railway extending from Robson to Rossland for the sum of \$800,000, and with this property will be acquired the smelting works at Trail Creek and about 270,000 acres, and that subsequently a breakdown was made at the time that the Consolidated Mining and Smelting operation came into existence to value the assets of the Trail smelter at \$200,000.

A. That is not true, Mr. Mauro.

Q. We have had some talk about the dividends received, but the Commission has asked us not to refer to them until some decision is reached.

Now, on page 13 -- and I shall be finished in a moment, sir -- page 13 of your precis, the last paragraph, it says:

"The cash and lands received under the Contract of October 21, 1880, were not subsidies in the ordinary sense".

Mr. Reid, would you tell us in what sense they were subsidies?

A. The sense in which I mean is set out



in the rest of the paragraph.

Q. Are you therefore suggesting that the subsidy and grants of 1880 were simply a deal based on the Dominion Government wanting to conclude the terms with British Columbia and the C.P.R. was just the recipient of this bounty?

A. I can't agree with the way you express it.

Q. Well, Mr. Reid, the Statutes of Canada, 44 Victoria, 1881, Chapter 1, section 3:

"Upon the organization of the said Company, and the deposit by them with the Government, of one million dollars in cash or securities approved by the Government, for the purpose in the said contract provided, and in consideration of the completion and perpetual and efficient operation of the railway by the said company, as stipulated in the said contract, the Government may grant to the company a subsidy of twenty-five million dollars in money, and twenty-five million acres of land, to be paid and conveyed to the company in the manner and proportions, and upon the terms and conditions agreed upon in the said contract, and may also grant to the company the land for right of way, stations and other purposes, and such other privileges as are provided for in the said contract."



Now, you tell me that when this document says that they are to receive \$25 million in money and 25 million acres in land this is not a subsidy in the ordinary sense.

A. It is not a subsidy in the ordinary sense. It is an Act of Parliament that had the greatest national importance and was for the purpose of solving a problem, not only evolving from the union of British Columbia but for the development of Canada, which was of greatest importance to the country.

(Page 2082 follows)



Q. What do you think these words mean:

"The government may grant to the company a subsidy of \$25 million in money."

Is that a subsidy in the ordinary sense?

A. I have not said this was not a subsidy, because the word "subsidy" is clearly in the legislation. I have said it is not a subsidy in the ordinary sense.

Q. I would also refer you to the Dominion Bureau of Statistics Catalogue No. 52-202, Canadian Pacific Railway Company, 1923 to 1958, under what they call "subsidies":

"The Canadian Pacific Railway and other companies now comprising the system was granted subsidies from the federal government, provinces and municipalities in the form of cash and expenditures on construction. These are summarized in the following table."

Then they show the grand total of federal cash subsidies, \$32,848,477; provincial, \$11,114,069: the total is \$43,962,546. The land goes -- I am sorry, I want to correct that -- the land grants, the grand total is \$43,962,546. The cash subsidies are: federal, \$88,437,180; provincial, \$12,455,303; municipal, \$5,261,064, making the total cash subsidies \$106,153,547. Now, do you tell me that \$106,153,547 and \$43,962,546 acres of land of Canada is not a subsidy in the ordinary sense? I agree with that because I believe it is in an extraordinary sense.



MR. SINCLAIR: Well, if my friend wants to ask a question it is all right, but must he make these comments?

MR. MAURO: This is cross-examination.

THE ACTING CHAIRMAN: Well, the question is on the record and Mr. Reid can answer it.

MR. SINCLAIR: I wish my friend would stop making these comments.

MR. MAURO: Q. Yes, Mr. Reid?

A. In these paragraphs I am not referring to all the figures in the table, I am referring to the one transaction embodied in Chapter 1 of 1881. I think it is of interest that the government itself in its accounting procedure regarded the payment of the cash as a distinct kind of subsidy because in the government accounts that amount was charged to capital account whereas subsidies in the ordinary sense were charged to revenue of the year.

Q. Then, you state at page 14 that great risks of losses were assumed by the government. What was the initial capital paid into the company?

A. The initial?

Q. The initial paid subscribed capital?

A. I think it was \$10 million, if I am not mistaken.

Q. And for that \$10 million they received a \$25 million cash subsidy, 25 million acres of land and a line in northern Ontario which was subsequently valued at \$37 million, and this was "great risks of loss were assumed by the government"?



A. Well, there was further capital put in. After the initial capital there was considerable further capital put in before the main line was completed.

Q. Would it seem accurate that by 1922 the earned surplus of the C.P.R. had risen to \$292 million?

A. I do not know that figure but it was always the practice of the company to pay out less of the year's earnings to the shareholders than was shown in the statement in order to put money back into the property for development.

Q But I take it you and I will agree that whatever they received, in whatever sense it was received under the 1881 statute it was given and accepted for the completion and perpetual and efficient operation of the railway by the said company?

A. I do not think it would be proper for me to try to interpret the statute, Mr. Mauro.

Q. You admit these other statutes as examples of other subsidies received by the Canadian Pacific -- I quoted the 1881 statute and you have referred to 1915 and some others, but I was unable in any of the other statutes you referred to to see anything about perpetual and efficient operation of the railway. The statutes I have been able to obtain and examine simply set out that the Governor in Council will grant a subsidy of \$3,200 per mile or varying amounts on a per mile basis. Have you



information from these statutes to suggest they were similar to the 1881 statute?

A. Well, the wording of various statutes has varied from time to time and I would not say there was none that had a provision for some period of operation to be undertaken ---

Q. You have suggested ---

MR. SINCLAIR: Let him finish.

THE WITNESS: I think that type of statute you have shown me there, that subsidy of \$3,200 a mile was the most typical.

MR. MAURO: Q. Yes, and I see there is a marked difference between that statute and the statute of 1881.

A. A marked difference, that is right.

MR. MAURO: Thank you very much, Mr. Reid.

THE ACTING CHAIRMAN: Thank you, Mr. Mauro.
Who is next? Mr. Frawley?

MR. FRAWLEY: I have a few questions.

THE ACTING CHAIRMAN: Very well, we will go on with you after lunch.

May I say that the Commission has been kindly invited to the Canadian Club where the Governor General is speaking today, so we will be a bit late getting back. However, to make an allowance for that we will adjourn until two-thirty and then sit until four-thirty.

---Luncheon adjournment.



---Upon resuming at 2.34 p.m.

THE ACTING CHAIRMAN: Very well, Mr. Frawley.

MR. FRAWLEY: Mr. Chairman, counsel for British Columbia spoke to me and intimated that they had just a few questions and that they would prefer to go next, and then Mr. McKichan, representing Northwest Line Elevators, suggested he might follow British Columbia.

THE ACTING CHAIRMAN: Very well. Mr. Varcoe, would you come to the front, please.

MR. VARCOE: I am speaking for Mr. Brazier, Mr. Chairman, and I have just a very few questions I would like to ask Mr. Reid.

THE ACTING CHAIRMAN: What are your initials, Mr. Varcoe?

MR. VARCOE: J. F., Mr. Chairman.

THE ACTING CHAIRMAN: Yes, I know your father very well.

CROSS-EXAMINATION BY MR. VARCOE:

Q. I would like to ask you, Mr. Reid, just a few short questions arising out of the land grant of approximately 300 square miles of land, by the province of British Columbia to the Esquimalt and Nanaimo railroad in 1881 --

MR. SINCLAIR: That is a long way from Nelson, which is the most westerly point --

THE ACTING CHAIRMAN: Let us see what is involved in this question on this phase of the inquiry.



MR. VARCOE: I submit it is relevant Mr. Chairman, for two reasons; firstly, the submission of the railroad at page 14 refers to other grants of cash and land which are stated there not to be relevant to the Crow's Nest --

MR. COOPER: Is Mr. Varcoe referring to the submission now, Mr. Chairman?

MR. VARCOE: It is the precis of evidence; excuse me.

THE ACTING CHAIRMAN: Page 14?

MR. VARCOE: Yes, sir.

THE ACTING CHAIRMAN: Which paragraph?

MR. VARCOE: The second paragraph from the bottom of the page, sir.

THE ACTING CHAIRMAN: And your question is --

MR. VARCOE: First, my submission is that that makes the land grants to the E. and N. railroad relevant because the question has been referred to in the precis of evidence, and, secondly, yesterday the witness stated that the net profit to the C.P.R. as a result of land grants was 49 cents per acre, and that that is a misleading statement, and we wish to have the witness show that the value, in fact, of the lands received in British Columbia was far greater than that amount per acre.

MR. SINCLAIR: Mr. Chairman, I know my friend was not here, but the transcript makes it abundantly clear that the figure of 49 cents per acre was the average value of the acreage granted



by British Columbia for the building of the Crow's Nest line. That is the line the most westerly terminus of which was Nelson, British Columbia. That is where the figure of 49 cents came from, and that is, if I may say so, a figure that was authenticated by a detailed financial statement.

The second point --

THE ACTING CHAIRMAN: Mr. Sinclair, I think that --

MR. SINCLAIR: The second point, Mr. Chairman, if I may state it, is that Mr. Reid said that they received grants of cash and land, but these had no connection with the Crow's Nest Agreement. Now, the question that was raised by my friend with respect to the E. and N. Railway land grant -- the E. and N. Railway, as we all, or most of us, know is on Vancouver Island. That is a long way from Nelson, British Columbia, even as distances go in this country of Canada, and it has nothing to do with the Crow's Nest Agreement, Chapter 5 of the 1897 Statutes of Canada. It has nothing at all to do with it.

THE ACTING CHAIRMAN: I understand, Mr. Varcoe, that you are basing your question on that one sentence in the submission: "Canadian Pacific, for building sections of railway in many parts of Canada, received grants of cash and land.", and you are asking what grant of cash and land was there in respect of the E. and N.? Is that your question?

MR. VARCOE: My question to be directed to Mr. Reid is concerning the value of the particular



lands which have been released to the E. and N. Railroad, and which are presently held by the E. and N. Railroad.

THE ACTING CHAIRMAN: Is Mr. Reid in a position to answer that question?

MR. SINCLAIR: Mr. Chairman, before the witness does answer we must, of course, as Canadians, and people who have been educated in this country, know something of its history, and the E. and N. railroad was not built by the Canadian Pacific Railway.

COMMISSIONER ANSCOMB: In what year did they acquire it?

MR. SINCLAIR: 1912, sir, is my recollection of it.

THE ACTING CHAIRMAN: It was built by another company.

MR. SINCLAIR: If we want to go into a little history I might mention that there was a man by the name of Dunsmuir who actually built the railway some years before that. After all, Mr. Chairman, I think it is very, very clear that we might as well discuss all the grants that were made to the Northern Pacific, or to some railway in Turkey.

THE ACTING CHAIRMAN: Has this anything to do with the Crow's Nest Agreement at all?

MR. VARCOE: Not directly, sir.

THE ACTING CHAIRMAN: Not directly. I think, rather than get too far afield, we will have to consider just what -- there are one or two questions with respect to which we have reserved our ruling this



morning. As you know, we have enough to go into without going into every grant in Canada. However, this does not concern the Crow's Nest Agreement, particularly, at all?

MR. VARCOE: It has nothing to do with the Crow's Nest Agreement, no.

THE ACTING CHAIRMAN: Then, we will advise you later, Mr. Varcoe.

MR. VARCOE: Thank you, sir.

CROSS-EXAMINATION BY MR. McKICHAN:

MR. McKICHAN: Mr. Chairman, my name is McKichan, and I appear in place of Mr. Dickson for Northwest Line Elevators.

Q. I have only a few questions, Mr. Reid. I gathered from the terms of your reply to my friend, Mr. Cumming and my friend, Mr. Mauro, that in your view there was at least some danger in the 1890's or, perhaps, in the early years of this century, that this rich territory of southern British Columbia -- rich, that is, from the point of view of a railway hungry for freight -- that this territory might well have been dominated by some other competitors of the railroad perhaps from the States or from somewhere else; is that correct?

A. It is a fact that the Great Northern built a branch into Nelson before the Crow's Nest Agreement was signed, and was no doubt eyeing that country with the thought of building other branches.



Q. Am I right in thinking, Mr Reid, that it is your view that if the Crow's Nest line had not gone through at the time it did there might have been other branches bleeding this country to the south?

A. Yes. As you will have noticed, the Columbia and Western Railway was owned by United States interests, and it was from Heinze, an American, that Canadian Pacific bought the Columbia and Western. Likewise, there was a railway running from Kaslo to Spokane, or part way, that was controlled at one time by the Hill interests that later came into the control of Canadian Pacific.

Q. Well, then, Mr Reid, I suggest to you that in our present attitude towards the events which transpired in these, if I may say so, bustling days of the nineties we are willy-nilly conditioned by a half century's contemplation of what transpired in fact, and that we are apt to mitigate these dangers which must have loomed very large in the minds of the management of the C.P.R. in the 1890's. Do you think that is a possible factor?

A. I think they loomed larger in the minds of the citizens of Canada than in the minds of those in the Canadian Pacific from the viewpoint of national policy.

Q. As a matter of national policy, yes, Mr Reid, but I understand it was your view, too, that the C.P.R. management was itself most eager to run the Crow's Nest line into this territory?



A. They had forces persuading them both ways. There were times when Van Horne and others connected with Canadian Pacific depreciated the possibilities of the district. At other times they considered the possibilities of the district to be very good. It was quite a speculation to build a railway into that country.

Q. Yes, but they were courageous men, and as has been told before, men of vision, and they took a risk and accepted what, even to them, must have appeared a quite burdensome agreement in order to undertake this venture?

A. In any explanations of the agreement at that time there was nothing said about its being a burdensome agreement. In fact, the question of freight rates was not mentioned whatsoever in the annual report of the company.



Q. Turning from that, Mr. Reid, would it be possible for you to estimate the profit that has accrued to the Canadian Pacific Railway down the years from the freight originating from this territory which is served by the Crow's Nest line?

A. No, it is not possible.

Q. You say, in effect, the value of this traffic was of inestimable value?

A. No, I wouldn't say that, inestimable.

Q. Perhaps that is an unfair word to use because I agree it is acceptable of two meanings, but would you not say the profits accruing from this traffic were very substantial indeed?

A. I don't know.

Q. Would you say it is possible they were very substantial indeed?

A. I think it is likely that the line operated successfully; otherwise there would have been a good deal of worry on the part of the company's officers whether it should be continued.

Q Mr. Reid, I suggest to you that if Mr. William Van Horne and his colleagues were sitting down to discuss whether or not to build the Crow's Nest line today, I assume that it would only be practicable to build it with a government subsidy, and that to forestall competition it was necessary to build it immediately, and I suggest that if these men were making this decision and were equipped with all the hindsight that we have today as to the actual working out of this proposition, that they might



well have come to the same decision that they came to then?

A. I can't follow that, Mr. McKichan.

Q. What I am saying is if the men who decided to build the Crow's Nest line had available to them then all the knowledge as to the subsequent history and the working out of this agreement, then they might still have decided -- notwithstanding all the results which have flown from this agreement -- they might have decided to go ahead and build that line?

A. That is too unrealistic a speculation for me to say anything about.

Q. Mr. Reid, are you aware of any future likely developments of the mineral resources of Southern British Columbia?

A. My impression is there has been a decline, apart from the Sullivan mine, in mineral production in that area.

Q. Would you agree that it is, no doubt, a possibility that further large mining ventures may be undertaken in that area?

A. No district has been combed more carefully through the years than that district. However, deposits may lie under the mountains there that no one has been able to find yet.

Q. Mr. Reid, we have heard evidence that in 1938 an official of your company considered that this bargain was, from the point of view of the Canadian Pacific Railway Company, a good bargain,



but today you and others are stating on behalf of the company that the bargain was not a good bargain, and I put it to you that twenty years hence circumstances may have so altered that again an official of the company might say it is a good bargain. Do you agree with that?

A. I think I could agree with that if the circumstances that arose were those whereby wage rates paid were, we will say, approximately those of 1958, and material prices were in line with that level.

Q. What I am suggesting, Mr. Reid, is that it is quite within the realms of possibility that so much traffic may yet be generated from the area, concerning this Crow's Nest line, as to far outweigh any possible disadvantage that the railways may suffer from, having to live with a fixed freight rate on grain; I am stating this may be a possibility and I would like to have your reaction to it?

A. Yes, my reaction is this, that for a growth of traffic of that character you can only think of certain commodities, heavy commodities, that ship in many carloads. Examples are coal, timber and base metals. Now, it is quite apparent what the timber situation is, there is nothing hidden about that; it is quite apparent what the coal situation is, it is one of deterioration, less use of coal; as far as base metals are concerned, at the present time at least there is a slow market for base metals.



MR. McKICHAN: Thank you, that is all.

CROSS-EXAMINATION BY MR. FRAWLEY:

Q. Mr. Reid; will you please look at page 7 of your precis where you call attention to the 20,000 acres per mile that was provided for in the subsidy to the British Columbia Southern, and you see there, "While 20,000 acres per mile was substantial, it reflects the low value of lands in the area." What was the subsidy that you got when you picked up the charter of the Calgary & Edmonton Railway?

A. The Calgary & Edmonton had sold its lands at the time the Canadian Pacific bought the securities, the voting securities of Calgary & Edmonton Railway Company, so that these lands didn't come to Canadian Pacific except for a certain acreage of several hundred thousand that was encumbered by a contract with the government in connection with a federal loan and the Calgary & Edmonton Railway Companies.

MR. SINCLAIR: Once again we seem to be a long way ---

THE ACTING CHAIRMAN: I am watching it.

MR. SINCLAIR: From Nelson and the Crow's Nest line.

MR. FRAWLEY: Q. The land subsidy, although you say the lands had been disposed of by the corporation itself before the railway came into the hands of the Canadian Pacific, that subsidy, I suggest to you, was also 20,000 acres per mile?

A. I haven't the data with me, Mr. Frawley.



Q. You wouldn't suggest that the lands which formed part of the subsidy for the Calgary & Edmonton Railway Company, some of which came into the hands of the Canadian Pacific, were not valuable lands?

A. I would like to point out that Canadian Pacific bought that acreage I spoke of that was encumbered inasmuch as Canadian Pacific repaid the loan from the federal government and thereby earned the lands.

Q. I am merely directing your attention to the fact that the original subsidy to the railway was to aid it for the construction of the line and was 20,000 acres, and I put it to you that some of the most valuable oil lands in Alberta today were part of the original grant to the Calgary & Edmonton Railway Company?

A. I have no information on that, whether these are oil lands; they certainly didn't come into the possession of the Canadian Pacific.

Q. I will put my question again; are you saying because the grant was 20,000 acres that that was because the value of the lands were low and that is why they gave you 20,000 acres?

A. You are speaking of the grant in respect of the British Columbia Southern?

Q. Yes, which you are saying on page 7 of your precis.

A. That grant was offered by an Act of the British Columbia Legislature, Chapter 40, of 1890, and in the same Act 20,000 acres of land per mile were offered to the Ashcroft & Cariboo Railway



Company. I doubt if that was ever built. Also, a grant of 20,000 acres per mile was offered to the Okanagan & Kootenay Railway Company, which I think was not built, and then there was a grant for the same number of acres per mile offered to the Canadian Pacific Railway Company for a branch from Farrell via Nelson and the Lower Kootenay River to the western terminus of the Crow's Nest and the Kootenay River. That was not built.

Now, this legislation had a clause that made the offer expire after a certain time if no construction began, and other Acts were passed by the British Columbia Legislature during the 1890's, in each case renewing these offers, which were not taken up until the agreement of 1897 -- that has been under discussion here -- was carried through and the construction of the Crow's Nest line was carried out.

Q. Well, Mr. Reid, we may be absolutely miles apart. All I am asking you is to look at what you say, in which you associate the 20,000 acres as a substantial grant because the values of the land were low, and that is what I take you are saying on page 7?

A. That is the sense I am trying to give you, Mr. Frawley.

Q. All right.

A. But I am referring to these others that were made that were not taken up.

Q. I am referring to the one Calgary & Edmonton owned, which was 20,000 acres, which was

the standard grant in those days, I put it to you?

A. I don't know whether the Calgary & Edmonton Railway received 20,000 acres per mile. If it did it was federal land in the Territory of Alberta.

Q. Some of which became fabulously valuable?

A. To whom?

Q. For the Calgary & Edmonton corporation and its lessees.

A. That had nothing to do with the Canadian Pacific.

Q. And nothing at all to do with the Canadian Pacific. I am questioning your statement that the 20,000 acres per mile was given because it was lands of little or no value?

A. With all respect to the people from Alberta and the people from British Columbia who are here, 20,000 acres in southern British Columbia are not the same as 20,000 acres for a line between Calgary and Edmonton; one is agricultural and the other is mountainous.

Q. It was just a routine grant that you find in all the statutes. Now, Mr. Reid, will you look at page 6 where you talk about the agreement having provided that running powers were to be granted by leave of the Privy Council over the lines of the British Columbia Southern Railway? In fact, there were no running rights granted?

A. No.

Q. In fact, that line did have a monopoly in so far as the Canadian Pacific were concerned?



A. So far as the Canadian Pacific was concerned?

Q. You didn't share with anybody else having running rights over it?

A. No.

Q. And you didn't have to share it with any other line built to parallel it?

A. No.

COMMISSIONER ANSCOMB: Could I ask this so that I may be clear on it: Mr. Frawley says you didn't have to share it. The statute says if I came along you did have to share it; the fact is I didn't come along. Am I right?

THE WITNESS: That is the point.

MR. FRAWLEY: That is the point I am making. Two companies were created and both disappeared.

THE WITNESS: At least two.

MR. FRAWLEY: Q. So that in the result your monopoly was not interfered with?

A. That is just the way you put it, Mr. Frawley; I don't like to accept the phraseology.

(Page 2115 follows)



Q. Now, can you tell me when you acquired the lease or whatever other rights there were over the Calgary and Edmonton railway?

A. I haven't the information with me, Mr. Frawley, unless I made a search, perhaps in annual reports that I have here. But from my recollection, the lease took effect in 1903; the purchase of the capital stock was shortly before that.

Q. Well, as of the date of the Crow's Nest Agreement of September 5, 1897, what was the fact with regard to the line from Calgary to Macleod?

A. It was owned by the Calgary and Edmonton Railway Company, and they, not being railway operators, hired the C.P.R. about 1890 to operate it for their account.

Q. So it was part of the Canadian Pacific system at the date of the Crow's Nest Agreement?

A. It was shown as worked for account of owners, and Canadian Pacific was operating it as an agent for the Calgary and Edmonton.

Q. Did it have any option to purchase it?

A. No.

Q. And the line from Dunmore to Lethbridge was in operation on the 5th of September, 1897?

A. Yes.

Q. So that you were operating a line from Dunmore to Lethbridge and you were operating a line for the Calgary and Edmonton corporation from Calgary to Macleod and the extension of the



line from Lethbridge over to the British Columbia boirder would serve the Consolidated Railway operations in southern Alberta.

A. It was an extension of Canadian Pacific operations in southern Alberta, yes.

Q. And when you did complete the line from Lethbridge through to Macleod over to the British Columbia boundary and beyond you then had consolidated your railway operations in southern Alberta?

A. Not by the standards of today, Mr. Frawley. It was a new country; there were not many settlers in there, but subsequently Canadian Pacific built other branches south of the main line in Alberta, and there is a network there today which is quite a bit more extensive than shown in this sketch.

Q. You had no invaders at all of any kind, you had it to yourself?

A. There is the connection at Coutts with the United States railway.

Q. You built the line from Lethbridge to Coutts?

A. That is right.

Q. And you have had, in fact, again, a monopoly in southern Alberta since the 5th of September, 1897, and you had it for some years before that?

A. In southern Alberta I don't believe there is any other railway company operating south of the main line except maybe one or two of the



coal companies in the Crow's Nest area have mining railroads.

Q. There is no other railway that is connected to the railway system of Canada, either Canadian Pacific or Canadian National, in southern Alberta excepting the Canadian Pacific?

A. That is so.

Q. Now, I have only one more question to ask, perhaps two. Will you turn to page 11 of your precis? You say there that the entry of Canadian Pacific into the operation which ultimately resulted in control of Consolidated Mining and Smelting Company began by the agreement of February 11, 1898, between officers of Canadian Pacific, acting on its behalf, and Mr. F. August Heinze.

A. Yes.

Q. You have a copy of that agreement there, Mr. Reid?

MR. SINCLAIR: That is the one that arose this morning and I said to Mr. Mauro I would be glad to let him look at, and he said he didn't want to see it at that time.

MR. FRAWLEY: May I see it?

MR. SINCLAIR: Certainly. Now?

MR. FRAWLEY: Yes.

MR. SINCLAIR: Yes. My friend will see that certain parts of this underlined that you can disregard.

MR. FRAWLEY: I wouldn't ask to take the time of the Commission to read this now, but I think this is the last, as far as I now, cross-examination of the witness. My friend may have



re-examination, and I am put at some disadvantage in being asked to go through this agreement now. It may take only a very few minutes, but --

MR. SINCLAIR: I only have, I think, one question in re-examination.

THE ACTING CHAIRMAN: Perhaps we could take a short adjournment now, Mr. Frawley.

MR. SINCLAIR: I think I could help my friend if he wants me to.

THE ACTING CHAIRMAN: We will adjourn for 10 minutes, and Mr. Sinclair and Mr. Frawley can get together.

Recesss.

THE ACTING CHAIRMAN: Mr. Frawley?

MR. FRAWLEY: Q. Mr. Reid, the quick examination of the agreement which Mr. Mauro and Mr. Morrison and myself have been able to make of the Heinze Agreement indicates, I suggest to you what Mr. Mauro was saying to you this morning, that there is no breakdown of the consideration, that it was a single consideration of \$800,000 which was not divided into so much for the smelting properties and so much for the railway lands, but it was just one all-inclusive consideration of \$800,000; and, of course, the agreement provides the manner in which it shall be paid, by instalments, and so on.



A. As I said this morning, Mr. Frawley, that is quite untrue, and I can show it by reading from this agreement.

"They will pay the said price of \$800,000 to the said vendor and his assigns at the following times and in the following manner: That is to say, immediately on the said vendor causing to be transferred the said stock and bonds as aforesaid and the control as aforesaid to be given to the purchasers, they will pay \$600,000 part of the said price: Provided that within the said 60 days and before giving the control and management and transferring the stock and bonds as aforesaid and before the payment of the said sum of \$600,000 the purchaser shall have reasonable opportunity of investigating the regularity and sufficiency of such shares of stocks and bonds and the purchasers will pay the remainder of the said purchase price as soon as the lands and properties described in the said schedule as those to be conveyed shall be conveyed to the purchasers as aforesaid."

Now, Schedule A is appended to the agreement and it is headed "Showing lands and other



properties to be sold and conveyed" and it describes the property of the Trail smelter, and I think in the agreement there is a map that outlines the boundaries of this property. Now, that was property for which \$200,000 was to be paid.

MR. FRAWLEY: Of course, frankly, Mr. Chairman, this agreement is rather important. It is quite difficult to cross-examine back and forth without having a copy.

THE ACTING CHAIRMAN: Well, Mr. Frawley, if you would want a copy, I am sure we can get a copy.

MR. FRAWLEY: That is all I am leading up to, that at the time we are addressing ourselves to the agreement and in the summing up we would have a thorough examination of it, which would be very much more fruitful than arguing back and forth with the witness at the moment.

THE ACTING CHAIRMAN: Mr. Sinclair, can you make a copy of it?

MR. SINCLAIR: I have a photostatic copy of it, as I said to Mr. Mauro. I did have photostats made for Mr. Reid and myself. I suppose I can photostat one for Mr. Frawley.

MR. DOHERTY: May I share in Mr. Frawley's request? I think the position of the last few minutes has indicated very clearly how very, very difficult it is to examine on this document without having an opportunity to consider it. I do suggest that without this document on the record as an exhibit it is extremely difficult --



THE ACTING CHAIRMAN: I will direct that Mr. Sinclair have a copy made and filed. Will that be all right, Mr. Sinclair?

MR. SINCLAIR: And I will prepare an extra one for my friend -- will that be sufficient? and they can work on it jointly.

MR. FRAWLEY: We will make copies at our own expense and send one to our friends in Regina and Winnipeg.

THE ACTING CHAIRMAN: Will you make three copies, Mr. Sinclair?

MR. SINCLAIR: Three copies? Yes, whatever the Commission wishes.

MR. FRAWLEY: Q. At page 11, Mr. Reid, and page 12 of your precis you open up the question of losses that you had on other investments, and on page 12 -- I shouldn't have said 11 -- on page 12 you begin the last paragraph:

"Against the fortunate outcome
of the investment in Consolidated,
Canadian Pacific made other speculative
investments which were not successful",

And you have given as an example the money spent in Canada Power and Paper Corporation. Where was that corporation located?

A. In eastern Canada.

Q. And then you cite the railway investment, the investment in S.I.R., and then you refer to what the possibilities would have been if you



had invested in International Nickel, and you conclude on page 13, the last part of the paragraph:

"... the outcome would have been just as impressive as in the case of Consolidated" --

That is in International Nickel. In your unfortunate experience in these other investments you have not told us what the Consolidated Company has meant to the Canadian Pacific by way of dividends, and I now put the question: What is the total of dividends that Canadian Pacific has received between 1905 and 1958 from Consolidated Mining and Smelting?

Now, may I address myself to the Chairman?

MR. SINCLAIR: Wait until I object to the question.

THE ACTING CHAIRMAN: Of course, that is involved in the same objection this morning and which is now under consideration.

MR. SINCLAIR: Under advisement of the Commission.

THE ACTING CHAIRMAN: We are not as fortunate as the Board of Transport in that we can't withdraw to a room to consider.

MR. SINCLAIR: All I was doing was bringing to the attention of my friend that this was a matter that was under advisement of the Commission, and if that is so, he shouldn't put it.

THE ACTING CHAIRMAN: There was the question



this morning and with Mr. Varcoe.

MR. FRAWLEY: I think we are aware of that and aware of the ruling the Chairman made this morning. I simply want to add this further consideration which I have drawn to the attention of the Commission, and I want to read also -- my friend is on his feet.

MR. SINCLAIR: I am waiting until I am acknowledged by the Chairman, Mr. Frawley.

THE ACTING CHAIRMAN: Yes, Mr. Sinclair.

MR. SINCLAIR: If Mr. Frawley had any point to make, it is my submission that the time to have made it was when the Commission was considering it, when the Commission said:

"Well, we have heard you, we have heard the provinces in the grain trade, this group of people, and we are taking it under advisement."

Now, this is getting to be a rather remarkable thing, in my respectful submission; it has happened four or five times, in which rulings have been made by the Commission which are not acknowledged by counsel. Now, this has happened two or three times already, and it has been my experience that when submissions are made and the Commission has ruled, even though it is against the submission of the party who opposed or whatever position he took, he bowed to that ruling, and it must be placing my friends in a very difficult position



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to be instructed, as they must have been, that,
notwithstanding rulings, they were to challenge
them again.

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THE ACTING CHAIRMAN: Well, let us get on with the business of the Commission.

MR. FRAWLEY: I am not challenging the witness at all. If the Chairman will permit me I just want to direct your attention to what Mr. McTague said at page 134, when he indicated what the Commission was to look into in connection with the Crow's Nest Pass Agreement. That is all.

MR. SINCLAIR: Very well, put it on.

THE ACTING CHAIRMAN: Any further questions, Mr. Frawley?

MR. FRAWLEY: I have no further questions.

THE ACTING CHAIRMAN: Mr. MacKimmie?

MR. MacKIMMIE: Mr. Chairman, with all these witnesses until some of these rulings come forth I feel a little frustrated as to how far we can go. I have no questions but I might have something to say a little later on in the afternoon.

THE ACTING CHAIRMAN: Any other counsel? Mr. Sinclair?

MR. SINCLAIR: Well, maybe I had better wait for my re-examination until Mr. MacKimmie ---

MR. MacKIMMIE: He can wait as long as he likes.

THE ACTING CHAIRMAN: Well, we cannot wait.

MR. SINCLAIR: Very well, then.

RE-DIRECT EXAMINATION BY MR. SINCLAIR:

Q. Mr. Reid, my friend Mr. Frawley has



raised certain questions about the agreement between Heinze and Canadian Pacific. Your evidence, as I recollect it, was that \$200,000 was paid for the smelter and \$600,000 was paid for the railway. Is that what your evidence was?

A. That is so.

Q. And Mr. Frawley said he was going to consider the agreement further and you told him it was not correct that it was one consideration undivided. Is that what you said?

A. Yes.

Q. Have you anything to substantiate by way of how the payment was made that would be of interest to the Commission in light of the point raised by Mr. Frawley?

MR. MacKIMMIE: I am objecting, Mr. Chairman. I am just wondering, are we now interpreting the agreement as something that came off later?

MR. SINCLAIR: My question is very clear, I asked him how the payment was made.

THE WITNESS: I have here ---

THE ACTING CHAIRMAN: Payment for what?

MR. SINCLAIR: Q. Under the agreement, the \$200,000?

A. I have here a photostatic copy of a promissory note from the company's records signed by Angus and Shaughnessy, dated September 3, 1898, for \$200,000, to the Bank of Montreal, at an interest rate of 5 per cent.

THE ACTING CHAIRMAN: Signed by them



personally?

THE WITNESS: Yes, sir. A demand note, and this note is endorsed "Paid October 31, 1898." On the reverse side of that note is this further endorsement:

"Note given to B of M to cover purchase price of smelter property at Trail secured for the C.P.R. Company. T.G.S."

That would be Mr. Shaughnessy.

MR. FRAWLEY: What is the date of that memorandum?

THE WITNESS: There is no date on the reverse side.

MR. FRAWLEY: The date of the note is September 3, 1898?

THE WITNESS: Yes.

MR. FRAWLEY: The date of the Heinze agreement?

THE WITNESS: February 11, 1898.

MR. FRAWLEY: And the smelter had been in operation at that time?

MR. SINCLAIR: Mr. Chairman, I was doing some re-examination. I am not objecting but I thought the Commission might stop this until I had finished.

THE ACTING CHAIRMAN: Well, let us get on.

MR. SINCLAIR: Q. Now, Mr. Reid, with the assistance of the Commission yesterday I suggested that they might wish to be informed about what a million dollars' investment in International Nickel



at about the turn of the century might be worth.

THE ACTING CHAIRMAN: Well, we might as well ask what he may think of a lucky ticket on the Irish Sweepstakes. Money is made on nickel and oil lands and ---

MR. SINCLAIR: It was Commission counsel who introduced what the \$17 million might be worth and it was brought up by Mr. Doherty and I think the \$17 million became \$80 million as a book value. I was wondering what the \$17 million might be worth in International Nickel but if the Commission does not want to know about it ---

MR. COOPER: Do I understand that a copy of the promissory note is being introduced as an exhibit? I do not understand. If the Commission has to struggle with these problems later it would appear to me if the agreement is in and this note is introduced as evidence of payment or something of that sort that the Commission might very well have to look at the note.

MR. SINCLAIR: I will file a copy as an exhibit.

MR. COOPER: I do not quite understand if Mr. Sinclair is taking that note as an interpretation of the agreement or asking that a conclusion be drawn as to the payment under it. I am only thinking of the position of the Commission when they sit down later and wonder what it is.

THE ACTING CHAIRMAN: What is the connection, to show the split in the \$800,000?



MR. SINCLAIR: And the reason of the cost of the smelter.

THE ACTING CHAIRMAN: Will you prepare copies of the note as well as the agreement?

MR. SINCLAIR: I will be very glad to, sir.

Q. Mr. Reid, there has been some evidence of interest in the questions directed to you from a number of counsel as to railways lines in southern British Columbia by American interests. Do you know whether there were lines built and later abandoned into southern British Columbia by a number of companies?

A. There was a line built by Great Northern interests that I mentioned before crossing the U.S. boundary and going up into the coal area called the Morissey, Fernie & Michel Railway.

Q. That was your evidence in chief. I am not asking you to repeat that.

A. Well, there is a point, Mr. Sinclair. That railway still operates but only in the Crow's Nest area and no longer has its connection over the U.S. boundary.

Q. I am not trying to repeat the evidence which you gave in chief; I am asking you whether you know whether there were railways that were built up from the United States into southwestern British Columbia which were later abandoned? Leave aside the one you spoke of in chief. Do you know?

A. I know of one other case, at least.

Q. Yes?

A. It was one called the Red Mountain



Railway that ran across the U.S. boundary into Ross-land that has now been abandoned.

Q. Any others you can recollect at the moment?

A. There was one other near Okanagan Lake.

Q. I am talking about southeastern British Columbia -- I am sorry, I said southwestern before, but southeastern between Nelson and the B.C.-Alberta boundary?

A. I am not certain of any other.

MR. SINCLAIR: That is all, thank you.

THE ACTING CHAIRMAN: Thank you very much for your evidence, Mr. Reid.

The next witness?

MR. SINCLAIR: The next witness is going to be called by my friend Mr. McDonald.

THE ACTING CHAIRMAN: Well, while he is coming up I think we would probably be a lot happier if we took a five-minute recess.

---Short recess.

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THE ACTING CHAIRMAN: Gentlemen, we have given consideration to the objections this morning and afternoon to the questions. It is not easy to formulate a ruling on the spur of the moment, and we do not want to make a ruling which is half-baked and which is not properly understood. We feel that it is our duty to make a comprehensive and full inquiry. This we propose to make. However, in order that the ruling may be in proper form we will not make it now, but we will make it, probably, tomorrow morning.

MR. SINCLAIR: I will keep Mr. Reid available, sir.

THE ACTING CHAIRMAN: Yes, keep Mr. Reid available. Yes, Mr. McDonald?

MR. McDONALD: If it please the Commission, the next witness will deal with the precis of evidence filed by the Canadian National Railways in respect of the method used to develop the cost of handling grain traffic moving at statutory and related rates, and the results of the cost study. That witness is Mr. R. A. Bandeen.

THE ACTING CHAIRMAN: Now, I understand, Mr. McDonald, you intend to have Mr. Bandeen give his evidence in chief, and then stand down for cross-examination?

MR. McDONALD: That depends on what the Commission rules. I mean, there is no agreement.

THE ACTING CHAIRMAN: Perhaps it would be better to have an understanding at the start.

MR. McDONALD: I think Mr. Frawley has



a motion to make before I start.

MR. FRAWLEY: Yes, I told my friend Mr. McDonald, as soon as he announced to the Commission that he proposed to call Mr. Bandeen that I would then make my motion, and I propose now to make a motion that the cross-examination of Mr. Bandeen be deferred.

Speaking for myself -- the others will speak for themselves; the Commission will hear from Mr. Mauro and Mr. MacKimmie -- speaking for myself I ask that my cross-examination of Mr. Bandeen be deferred, and so that my position will be made quite clear to the Commission I will inform the Commission now that I will make a similar motion with respect to the evidence, in so far as the Canadian National Railways are concerned, of Mr. Toole who will speak to a memorandum which has been filed regarding the cost of capital.

There is another witness who will be called jointly to deal with a joint submission entitled: "Canadian National Railways; Canadian Pacific Railway: Memorandum in respect of (a) 'Method used to develop the cost of handling grain traffic moving at statutory and related rates;' (b) 'Results of cost study.'" And those are respectively sections IV and VII of the joint submission. I will similarly ask to have my cross-examination of that witness deferred.

I think that is all with respect to the Canadian National Railways.

Again, so as to make my position quite clear, with respect to the Canadian Pacific memorandum



I will ask to have my cross-examination with respect to Memorandum IV -- because that is a joint memorandum; I have it recorded twice, once under Canadian National, and once under Canadian Pacific. That is the same memorandum containing Sections IV and VII. I will ask to have my cross-examination as to that witness deferred.

Then, also, in the case of the Canadian Pacific Railway there is Memorandum VII which is called: "Memorandum in respect of results of cost studies". I will ask to have my cross-examination of that witness deferred.

There is also a memorandum filed regarding the cost of capital, and we were told the other evening by Mr. Sinclair, I think, that the witness to deal with that would be Mr. C. W. Smith. However, I will have to have my cross-examination of that witness deferred.

Now, the Commission may recall that in December Mr. MacKimmie wrote a letter to the Commission -- I think to Commission counsel -- requesting that the whole of sittings fixed for December be deferred. The Commission considered that matter, and a telegram was despatched. I received a copy of the telegram. I have not it at the moment, but that telegram indicated that the Commission was not inclined to postpone the whole of the sittings fixed for December, but the telegram went on to say that when it came to the putting in of evidence respecting the costing techniques that then



the Commission would entertain an application for the postponement of that cross-examination, and it is with respect to that that I am directing my application this afternoon.

MR. SINCLAIR: I think the telegram is important. I think it also refers to something else.

MR. FRAWLEY: My friend refers to the telegram as being important, so I will read it. This is a telegram to Mr. R. A. MacKimmie, with a copy to Mr. J. J. Frawley, from F. W. Anderson, Secretary:

"Reference your letter Cooper November 4 Commission feels progress must be made in view of elapsed time since appointment. All Counsel should be prepared to proceed December 4 with cross-examination railway case. Presume this offers no difficulty except possibly in respect of cross-examination on costing techniques. Commission will entertain motion on December hearings from counsel for adjournment of cross-examination on costing techniques as you may be instructed. Letter follows."

MR. SINCLAIR: Could we have the letter filed so that we can have it all together?

MR. FRAWLEY: Well, that letter was not a letter to me, and I did not receive it.

---(Copy of letter handed to counsel).

THE ACTING CHAIRMAN: We might as well get it all at once.



MR. FRAWLEY: At the Commission's direction I will read this letter. It is addressed to Mr. R. A. MacKimmie, Q.C., at Calgary, and is from A. G. Cooper:

"You will have received a telegram from Fred Anderson reading as follows:. . ."
And then the telegram follows --

"I presented your letter to a meeting of the Commission here this afternoon and as well referred to the fact that I had telephoned you subsequent to receiving your letter.

"The members of the Commission are very anxious to proceed as quickly as possible with all hearings as planned, particularly in view of the fact that quite a period of time has gone by since appointment of the Commission. Murdo MacPherson particularly pointed out that there were many aspects of the railways submissions with respect to the Crow rates on which he felt that cross-examination could readily proceed, aside altogether from cross-examination on the methods used by the railways to determine their costs of this traffic.

"The Commission, therefore, is very hopeful that you and other counsel concerned can proceed with cross-examination at least to the point where abstruse matters such as multiple linear regression come in issue. When that point is reached the members of



the Commission have intimated that they would entertain a motion from you for adjournment of such cross-examination to a date when you would be in a position to do the subject justice.

"This decision may not be entirely satisfactory from your standpoint but I must say that on reflection it appears to me, as it certainly does to the Commission, that is is the only feasible course to follow under the circumstances.

"Yours truly,

"A. G. Cooper."

Now, I was proceeding to say ---

MR. McDONALD: I have never seen these before, and I should like to have copies of them.

---(Documents handed to counsel).

MR. FRAWLEY: I was proceeding to say, speaking for myself and Mr. Mauro, that we have retained consultants in Washington, and those consultants have visited the Canadian Pacific cost experts on two occasions, and we have had discussions with them. We have been told that they have received a great deal of material from the railways. Some of it we have also received. A great deal of it has been sent to these consultants as a result of requests which they have made to the cost section people of the Canadian Pacific and the Canadian National.



They point out to us that we have retained them to do two things -- to make a substantive presentation to the Commission, and also to instruct us in cross-examination. They have told us that it is quite impossible to instruct us for cross-examination at this time, and it will be some time before they are able to instruct us for cross-examination. They do not propose to instruct us for cross-examination until they have read, studied, examined and appreciated the vast amount of material which has been filed with them.

Now, this is what they propose, and we are entirely in their hands. It would be futile for us to attempt to ask one single question of the witnesses who will present the memoranda which I have recited to the Commission. It would be futile to ask one question. Speaking for myself, I could not begin to ask them one single question without full instructions from Mr. Banks and his associates in Washington, and until we have received those instructions -- and they tell us it will be some time before they can give us those instructions ---

THE ACTING CHAIRMAN: What do you mean by "some time"?

MR. FRAWLEY: I will state my position in that regard so that there will be no misunderstanding. My application to the Commission is that my cross-examination of the costing evidence be deferred until the Commission has returned from its sittings in western Canada.



THE ACTING CHAIRMAN: That could be the end of February.

MR. FRAWLEY: It is whatever the time table calls for. I cannot say any more than that we are in the hands of these consultants. The Commission does not suggest, I am sure, that we dismiss those consultants and get others who will instruct us more readily. That, to me, would be highly impractical.

This is the situation, sir. They have received these precis as quickly as we received them, and they have received the additional information as quickly as they could in coming to Montreal to question the cost section people, and then they have made their demands for further material.

It happens -- I am not making too much of a point of this, but it happens that one of the sets of material which they have asked for is still in my hands because, as a matter of fact, it was handed to me by Mr. Sinclair only this morning. There is an explanation for that that I want to make immediately. One of Mr. MacKimmie's consultants asked for this information, and through some misunderstanding that particular consultant left Ottawa on the 7th December without having had delivered to him this particular piece of material. Our consultant asked for it, and after making some inquiries I found that it had been prepared. It had been delivered -- or, it had been intended to have it delivered to one of Mr. MacKimmie's consultants, but through some inadvertence it was not delivered, so as of this



moment, Mr. Banks has not got this piece of important material and so he has been unable to examine and study this very complex matter.

Now, I could not quite say to the Commission that this material has been a long time in preparation by Canadian Pacific and Canadian National. I do not know how long it takes. Perhaps the Commission can make precise inquiries and find out, but I think it has been in the course of preparation for a long time.

THE ACTING CHAIRMAN: It is quite bulky.

MR. FRAWLEY: Yes, and it represents a great deal of work, and it represents, I might as well say, a great deal of expense to the Province of Alberta and to the Province of Manitoba -- a great deal of expense -- to retain these people in Washington to go through every scrap of material that has been filed and sent to them at their request. I am not going to put the expense on the record. There is a great deal of expense involved that we are willing to go to to see that this work is done, and done properly and thoroughly. Of course, it cannot be done properly by our cross-examining today. It cannot be done properly until the day, whenever it is, that these people instruct us for cross-examination.

THE ACTING CHAIRMAN: What is your motion, Mr. Frawley?

MR. FRAWLEY: My motion is that our cross-examination of all the costing evidence be deferred until the Commission returns from its



western trip.

COMMISSIONER GOBEIL: And then your people will have the figures ready?

MR. FRAWLEY: I beg your pardon, sir?

COMMISSIONER GOBEIL: And then your people will have had the time in which to study it?

MR. FRAWLEY: That is the purpose of it.

COMMISSIONER GOBEIL: I do not know when we will be back. The Commission may be back sooner or later. Would you be prepared to ~~set~~ a date instead of saying "when it is back"?

(Page 2150 follows)



MR. FRAWLEY: I think that is a very practical suggestion; perhaps we can look at the calendar and name a date. I say, assuming that the Commission wouldn't have returned from Western Canada before the first of March at the best, that it should be somewhere in that area.

COMMISSIONER GOBEIL: In that time you would be ready?

MR. FRAWLEY: I would hope then to be ready. I wasn't given that date by these consultants in Washington, but if the Commission could fix that time, then I would immediately consult with these people and ask them could they be ready, and if they say they can't be ready, then I will not be ready because again I am in their hands; all I can do is dismiss them, that is all.

THE ACTING CHAIRMAN: Mr. Mauro?

MR. MAURO: I wish to support the motion of my learned friend Mr. Frawley. I had hoped in the light of the telegram and the letter, that perhaps we would have in this period before the Commission discussed firstly those fields over which the precis have been submitted, and I would like to contribute something, too. They have been kind enough to give us the names of the principals of the railway rate making, and I understand Mr. Roberts will be called on that and I think that Manitoba could participate in the cross-examination of that witness.

There is a precis entitled, "Recommended



solution to enable the railways to secure revenues based on just and reasonable rates" for the Canadian Pacific Railway, and I think Manitoba would be prepared to go forward with the examination on that precis.

In the case of the Canadian National Railway precis entitled "Statutory and related grain rates in relation to the freight rate structure" we would be prepared at this time to go forward.

As to the other matters touched upon by Mr. Frawley as to these techniques, I personally, sir, am not in any position to go forward with any constructive type of cross-examination. I feel that while there may be phases of these technical studies and these cost submissions in which we might probably be expected to have some knowledge, the whole cost study is such a complex thing that I just can't in the best interests of my clients attempt to cross-examine when, as Mr. Frawley has said, the provinces of Alberta and Manitoba have gone to this expense in order that we be properly briefed. And I suggest that that is not with the simple purpose of winning a case because one might look at it from the straight dollars and cents angle and say, "Why have the provinces of Alberta and Manitoba gone to this fantastic expense when, in fact, the railways are suggesting that it will not cost the farmers another penny, that the money will come out of the Federal Treasury." One might have expected the Federal Treasury would have



retained experts to protect the interests of the Federal Treasury in this matter, but the matter is so essential and important to the provinces of Alberta and Manitoba that we wanted to make as great a contribution as we possibly could to see that the whole transportation problem was presented.

My learned friends from the railways have decided they want to look at the statutory grain rates, and right from the organizational meeting of the Commission Alberta and Manitoba have taken the position that we don't feel it could be looked at in that manner. Now, the Commission has ruled otherwise and set those dates, but now comes the matter of whether or not we can proceed to participate in that and I must, along with my learned friends, say that I am completely in the hands of experts and that I can't go forward at this time, and we are, sir, doing a considerable amount of work in preparation for the regional hearings in Winnipeg.

We received a news report from St. John's, Newfoundland to the effect that the hearings would commence in Winnipeg on February 8. There is a considerable amount of work to be done, and this work evolves around the same people. We feel these regional hearings in Winnipeg are important, and we want to submit some data and some recommendations at the Winnipeg hearings which requires some supporting material, which involves some considerable work on our part.

I must say that it would be exceedingly



difficult for us to participate in hearings in Ottawa in January, and then be prepared to have this material ready for the regional hearings on February 8 in Winnipeg, so while I am on my feet, sir, I would request -- because there is no firm ruling the procedure is within the ambit of the decision of the Commission -- I request sincerely that some consideration be given to that factor that there be no hearings in Ottawa in January, and that the Western regional hearings commence in Winnipeg on February 8, that we complete the Western hearings and that the date to be fixed for the resumption of the full Commission hearings in Ottawa be subsequent thereto, and at that time -- along with my learned friend Mr. Frawley -- I trust that I will be prepared to go forward, not only with the examination of the cost experts retained by the railways, but with the putting forward of the substantitive case of the province of Manitoba. Thank you very much.

THE ACTING CHAIRMAN: Mr. MacKimmie?

MR. MacKIMMIE: Mr. Chairman, and members of the Commission, I have the same motion to make as my friend Mr. Frawley who stated in my behalf, and I am moving that all witnesses appearing on behalf of both railway companies in regard to the cost studies, that they be put aside for examination until a later date.

Now, sir, when I am asked for a later date, I have two particular problems, that until



the Commission rules on what information is to be supplied to my experts, I can't tell because the experts want that information to go ahead with their studies. Secondly, sir, the extent or degree of full co-operation that we may get and how early it is furnished is another factor.

Mr. Saunders, who has been retained on behalf of my clients, puts it very simply; he said, "I would like to be able to test other types of traffic moving on the same basis, which I can't do until I get that information. When will I get it?" I say, "When the Commission rules and the railways furnish us with the necessary material."

As I interpret the Order in Council in one direction it is that to what extent this Commission should look to non-rail assets and earnings in the fixing of freight rates? Now, I am asking that the movement of grain -- the railways suggested something like a 100 per cent increase, and I have spoken to Mr. Saunders about that, that if they considered those things there might be something wrong even with their own figures with what that is. He said, "Do you know if we are being allowed to look at them?" I said, "That is being reserved by the Commission."

Now, sir, if this matter proceeds, I think we have reached a very serious stage; if this Commission has reached the stage, which I have seen in some of the objections this afternoon about relevancy and about this is only a straight



Crow's Nest inquiry, if it is going to do that, then -- whether it is satisfactory to me or not -- sir, I do respectfully submit that my clients are entitled to know, because from where we sit from there on depends on that particular ruling, and what actions or non-actions my clients wish to take would depend entirely on these rulings.

Now, sir, as far as January is concerned, I said in my letter to Mr. Cooper that was read in that Mr. Saunders instructed me we would be able to cross-examine, he hoped, on January 4, but he was talking as of November 4, he was assuming that he would have the information in two months time. Two months have gone and we haven't got the information, so I am no further ahead than I was on November 4, so I asked Mr. Saunders specifically in Washington the day before yesterday when we could go ahead and he said, subject to my getting the information -- and I want Mr. Sinclair to hang on to the chair -- he said, "I don't see how we can do it before March." He said, "That is a very comprehensive study."

MR. SINCLAIR: Nonsense.

MR. MacKIMMIE: I will repeat it again. Whether my friend thinks it is nonsense, he said, "I suppose these people are able to put this together in a couple of weeks?" That is his view, and if he wants to give this thing proper treatment he is not going to be able to do it until March.



Now, Mr. Sinclair or Mr. Frawley referred to something this morning that Mr. Wood thought he was to have. I didn't know until I got back here this morning that we were even allowed to have it. Mr. Sinclair told me he had one in his own desk and we could come to Montreal and look at it.

THE ACTING CHAIRMAN: I think, now, I should state that so far as this Commission is concerned it doesn't regard this as being purely a Crow's Nest inquiry. There is no question about that. It is the old question of the railway problem and it is only one phase of it, that is all.

MR. MacKIMMIE: Maybe that is the distinction I have missed when I heard my friend talking about relevancy, but my problem is that to give the picture and relate the Crow's Nest phase of the hearing to all the problems, that we must present something of that kind. Now, sir, I don't expect this Commission to take any cognizance of my own personal plans, but there is a hearing in this Court Room starting on January 5 of the National Energy Board that will take some three weeks. I don't expect you or any of the other Commissioners to meet my convenience, but it so happens I can't help but attend these hearings. I suppose I can get Mr. Wood or somebody to sit in. I don't know whether Mr. Frawley will be involved in these hearings, but in any event, Mr. Saunders instructs me that we simply can't be ready before March, nonsense or not.



THE ACTING CHAIRMAN: These are objections on the matter of the relevancy in connection with this stage of the inquiry, that is all, but certainly we are going into everything; that is the purpose of the inquiry, as I understand it.

MR. MacKIMMIE: I am delighted to hear that because counsel for the Canadian Pacific Railway has been talking about an appropriate time.

THE ACTING CHAIRMAN: I am sure that counsel for the Canadian Pacific Railway wouldn't, at the proper time, refuse to produce anything relevant.

MR. MacKIMMIE: That is a more than satisfactory answer.

MR. SINCLAIR: I am in the position, sir, of acting for Canadian Pacific. We will present such evidence as we feel is relevant to the issues and to the best of our ability; whether we go further than that depends on direction from the Commission.

THE ACTING CHAIRMAN: But the Commission is bound by its terms of reference.



MR. SINCLAIR: Yes, Mr. Chairman, but I must say in answer to your question that, as far as Canadian Pacific is concerned, we thought -- now, we must be very wrong -- we thought we had done quite a job in producing and carrying out the directions of the Commission in the middle of September last, and I think I am a little surprised, sir, that there is any suggestion that we hadn't done so.

THE ACTING CHAIRMAN: I think you produced two very good witnesses.

MR. SINCLAIR: But we also produced a lot of information in accordance with the specific dates set down by the Commission. But I would like at another time to answer the motion.

THE ACTING CHAIRMAN: May I say this, that we think it is quite right, in answering Mr. Mauro first, that we did indicate in St. John's the date that the western hearings would commence, because we felt that with three months' notice that was certainly sufficient. Then we are anxious to get on with this job and anxious to get work done, and we have been set up since the 13th of May as a Commission.

Now, I know the difficulty of getting experts, but the Commission itself has had to get experts and has had experts and had them at work. We have been trying to do that.

I want to say this to counsel, and I say it to railway counsel and provincial counsel and grain counsel, that there is a very real obligation



on them to cooperate with the Commission. I am not suggesting at the moment that any road blocks have been thrown, but I do say for goodness sake try to get together and make the work of the Commission more efficient. We can make orders. We don't want to make orders unless it is necessary. We feel that it is the first essential that, as reasonable counsel, you can get together and agree on things, and we urge you to do that; and failing that being done, then, of course, we will have to act.

Now, I say that by virtue of this motion that has come up in the form it has and the other matters having come up this morning, that there is going to be a job for the Commission to do by itself tomorrow forenoon apart from this room altogether, and I am going to suggest that we adjourn till two o'clock tomorrow afternoon and we can then go on with Mr. McDonald's evidence, if necessary, but the Commission itself can meet and deal with the problems before it.

MR. SINCLAIR: Before you adjourn, sir -- I carry out the instructions of my client -- I noticed that a day or so ago notice was given that this motion might be made, and my instructions were to oppose it to the best of my ability, and if this is a proper time to answer some of the questions ---

THE ACTING CHAIRMAN: Yes, now is the time and now is the hour.

MR. SINCLAIR: Well, first, as you have



noted, sir, this Commission was appointed last May; not only that, but Mr. Frawley said earlier in these hearings, and I would agree with him on this, that because of certain representations he and others made, oh, a year ago, this Commission was appointed. So over a year ago they asked for a Commission. In May it was formally established. They have known, then, that there was to be a Commission into railway transportation definitely as to personnel and as to terms of reference since May, seven months ago. They have known that they wanted the Commission into the railway problem specifically for over a year. They have also known that, concurrent with the establishment of this Commission, freight rates in Canada were frozen; they also know that, as a result of the last budget, freight expenses of Canadian Pacific have been materially increased by virtue of, first, the increase in the income tax rate; secondly, by the increase on sales tax; thirdly, by the increase arising from the greater benefits under unemployment insurance.

Notwithstanding those increases, they knew that freight rates were frozen by government direction, general levels were frozen.

Seven months have passed, and the Commission, as they had a right to suppose, expected counsel and people interested to take notice of the Order in Council appointing this Commission away last May and to study it and to get ready, and the Commission did wait a reasonable time for people to get ready,



and then after advising counsel on a number of occasions as to when would be a convenient date to set the organizational meeting, they called it for the middle of September. As Mr. Mauro has said and as the Commission knows, the western provinces and the grain interests, both pool, line elevators and U.G.G. as a group were there and they opposed, in accordance with their instructions, the going into of the grain issues, but the Commission, as it was directed to do by the Order in Council, said unanimously: "No, we will hear it and we will hear this commencing December the 4th." Furthermore, they said: "We will require the railways to set out a brief and distribute it by October 15th." That was done; it was sent off to my learned friends and filed with the Commission.

Furthermore, we were to file precis and data. That was done. They were in the hands of my friends starting a few days before the end of October and continuing on, and they got the last one, I think, about the middle of November, approximately a month ago.

Now, we know that the Government has said the Commission will bring down its decision, its report and recommendations within a year, and we have frozen your freight rates for a year. Seven months are gone of the year. That is quite a part of the year.

Now, Canadian Pacific, rightly or wrongly, came here prepared to put in their submissions, both on their own behalf and those that were jointly



prepared with my friend Mr. McDonald and Mr. Macdougall, and they were conscious of the record in this transcript of 17th and 18th September. With your permission, Mr. Cooper, I am reading from the record where you are speaking at the organizational meeting, page 129:

"There was another matter which was the subject of some discussion yesterday, and perhaps I might proceed to that now. It was intimated, I believe, that it would facilitate matters if questions concerning the statutory grain rates were heard by the Commission before the Commission proceeded to the regional hearings in the western provinces. In order that that be done it would be necessary to have a hearing in Ottawa probably early in December restricted to this question. I spoke to my friend Mr. Sinclair on this point, and I understand from him -- and he is speaking also for the other railway" -- Canadian National -- "that he would produce a brief of the railways on the Crow's Nest Pass rates question by October 15, 1959, and a precis of evidence by November 1st. That would give a period of something probably in excess of a month to enable people to prepare for a hearing here in Ottawa on this question of the Crow's Nest Pass rates.

"I understand that the submissions of the railways will include suggested solutions to the problems which they consider they have



on this question. I believe, also, that Mr. Sinclair would like to have, and expects to have, the cross-examination by the provinces and other interested parties to take place at that hearing in the early part of December. The railways would be prepared to confer with the experts from the provinces, the wheat pools, and United Grain Growers Limited, whenever those experts are ready to sit down with the railways. That could proceed as soon as the experts can get together and get in touch with the railways.

"I believe that is the general understanding reached yesterday" ---

Now, that is the understanding reached when all people were present who have spoken here today on this motion.

"--- at the conference which has been referred to, and also the understanding which I have reached with Mr. Sinclair with respect to this possible hearing in Ottawa" ---

THE ACTING CHAIRMAN: Mr. Sinclair, that may be quite right. The only thing that is fairly before the Commission now is this, that while the emphasis, as you had requested it, is placed here at these sittings that we have been having on statutory rates, there never was any intention of converting this Commission hearing into a purely Crow's Nest rate inquiry, because to do so we would be ignoring so many questions we heard in the Maritimes, so many questions we will hear in the West, apart from



statutory rates, and we concede it our duty to go into all these matters.

MR. SINCLAIR: With all due respect, I don't think there can be any misunderstanding about it, nor could there be any misunderstanding about the fact that the hearing to start on December 4th in Ottawa was to be restricted to one issue, namely, statutory grain rates, and at this time, until that was finished, then you would go on.

THE ACTING CHAIRMAN: You would emphasize that this is an inequity. It has been gone into and you have stated it.

MR. SINCLAIR: Not only did I state it, but the Commission stated it, and I refer to page 134 of the organizational meeting when it was put beyond any doubt.

Now, Mr. Chairman, I am not going to allege any bad case on behalf of my friends, because I know them well enough that they do not do that; but I do know that they have to carry out instructions, and, as Mr. Mauro has said, his instructions were one way and that was to oppose an inquiry into the most significant inequity in the grain structure. But with your permission, sir, and my respect to you, I say this: it is a rather remarkable thing that my friends, in carrying out their instructions, should now say: "We will delay this; let's delay it." Now, of course, if they can get delay, they have, in effect, ignored the decision made last September. And, Mr. Chairman, these experts didn't come to see us; we were



waiting for them from the middle of September and they didn't come until the end of October. The first one that came was one of Mr. MacKimmie's experts who spent one day with us, and we didn't hear from Mr. Frawley until a week or so after that, and only after I wired Mr. Frawley that Mr. MacKimmie's experts were there and were giving us information and wouldn't he like to come along ---

(Page 2169 follows)



THE ACTING CHAIRMAN: I am sorry to interrupt you but we are taking some time to get these remarks cleaned up. Go ahead.

MR. SINCLAIR: I am sorry I am taking so long, but if you do not want to hear the submission of the railway that is fine.

THE ACTING CHAIRMAN: We are past the closing hour, that is all.

MR. SINCLAIR: Well, if a decision has been arrived at --

THE ACTING CHAIRMAN: No, go ahead. My only point was this, we are talking of instructions and somewhere in this Order in Council we are instructed to proceed with dispatch.

MR. SINCLAIR: That is what we have been trying to do, to assist you today and I must say we have not made any motion to delay or defer anything. Now, Mr. Chairman, I think it is of some significance that the Commission has ruled already in this regard. The letter that was referred to and read into the record by my friend Mr. Frawley said that the Commission would expect counsel to come forward on all matters except multiple linear regression.

MR. FRAWLEY: No.

MR. MAURO: That is not true.

MR. SINCLAIR: Well, if that is not true, I have misunderstood.

MR. FRAWLEY: Well, you have.

MR. SINCLAIR: Let me have the letter.





The letter says:

"The Commission, therefore, is very hopeful that you and other counsel --"

That is to Mr. MacKimmie on behalf of what he had to say:

"... can proceed with cross-examination at least to the point where abstruse matters such as --"

MR. FRAWLEY: "Such as".

MR. SINCLAIR: "... such as multiple linear regression come in issue."

Now, I would not expect the words "abstruse matters," even as applied to linear multiple regression to apply with respect to direct cost which is part of this; there is nothing abstruse about that at all. Nor is there anything abstruse about allocation, or anything abstruse as to how you get revenues and how you take them off. As the evidence before you has shown multiple linear regression has only been used for a relatively small part of the determination of cost.

MR. FRAWLEY: I do not know of any evidence that says anything about linear multiple regression.

MR. SINCLAIR: It is all in the precis that we gave to Mr. Frawley but the evidence will show, and it is there, as to what accounts were costed directly, what by allocation and what by



regression. There were the three. Now, if my friends think that direct cost is abstruse, well then, I just don't understand it because it cannot be abstruse. If they think that allocation is abstruse then I am surprised, particularly I am surprised at Mr. Frawley because he has been making allocations all his life. Now, there was revenue, how you got the revenues. Now, there is nothing abstruse about how you got the revenues, we take them off the waybills and we said so and how we got them and what we did with them. Now, it may be that this letter when it says "abstruse matters such as" mean that the ascertainment of revenues for the movement of grain was abstruse. I do not think so. It may have meant direct costing was abstruse but I do not think so. It may have meant that allocations were abstruse, but I do not think so. It may also, and I think it only does refer to regressions and some of the simple regressions have been found in costing in this very room over a great many years.

Now, Mr. Chairman, as I say, if my friends having had from last December when they wanted the Commission, having had since May to deal with it and having had since September to approach these problems and having had experts with them and the railways having given the experts the detail they had and now delay this to what is, in effect an unspecified date -- as Mr. Frawley says "I do not know what my experts are going to say". Mr.



MacKimmie says "My expert tells me I need three months". Three months for what? Three months for matters other than the statutory grain cost study? That may be but not in regard to the issue that the Commission directed us to come here on December 4th to do.

My friends talk about expense; first off, I do not think they need to worry too much about that but nevertheless it seems to concern them. The railways' expenses in this matter have been substantial. We have had people waiting here for a good long time to deal with these issues and we certainly did not expect to bring them here, keep them here and send them home. To have under these critical conditions and with the limitations placed on the Commission for the report, with the frozen freight rate structure with increased costs that cannot be recovered, for Mr. Frawley, Mr. Mauro, Mr. MacKimmie -- of course, Mr. MacKimmie said that there was a personal matter involved but also there was this -- if I can assist Mr. MacKimmie personally I would like to do so. My instructions are that we must press on. For them to suggest that we then defer this until the Spring and that is what they are saying, in other words, until approximately the year is up, is to me quite a suggestion and one that I do not think warrants much consideration before it is dismissed.

My friends say they cannot be prepared. They are all experienced counsel, they have had big cases before. They have acted for their



clients for some time and they are following the instructions they have got in making this motion. Of that I am sure. However, they have duties and obligations and they have had them since May and for that reason I do not think Mr. Chairman and members of the Commission, that this Commission should accede to those suggestions and deny the railways the hearing that the Commission directed them to prepare for -- that is what they are asking you to do, they are asking you to deny the railways the hearing that the Commission directed the railways to prepare. Thank you, Mr. Chairman.

THE ACTING CHAIRMAN: Mr. McDonald?

MR. McDONALD: Mr. Chairman, I will be very brief. The Canadian National takes the position that we should proceed with this matter in an orderly manner. We are here today offering everything we can to assist the Commission and give them all relevant information. I do not think we should allow the experts from the United States to tell the Commission when and how the hearing can be held. I think they must co-operate with the Commission. They have had sufficient notice of this thing and should not put delays in the way. The material has all been made available to them. There were meetings held in Montreal on November 21st and 22nd of which the Commission is aware where all details were given, any questions were answered and I do not see why they are not in a position to instruct their counsel for



cross-examination.

THE ACTING CHAIRMAN: Well, is there any reason why the non-cost material could not be gone on with now?

MR. McDONALD: Well, Mr. Sinclair and I had lined this up so it would go in in an orderly manner and that is the way we selected. I will have a suggestion to make in a moment which I think will be of assistance to the Commission.

THE ACTING CHAIRMAN: You see, we are not trying to be anything but helpful to counsel but we do not have to twiddle our thumbs and do nothing in January when we are told by the Order in Council to proceed with reasonable dispatch.

MR. McDONALD: That is the point I was going to mention, sir. In a few words, dealing with this matter, as I see it our friends say "We are not prepared to proceed with the cross-examination of the first cost witness". Well, I would suggest we do not want to lose any time here; suppose we put the evidence in in chief and have any of these witnesses stand down for cross-examination just to use up next week. Then we could have some definite date early in January when our friends will undertake to be ready to proceed and we will be ready to go on as early in January as we can.

THE ACTING CHAIRMAN: Well, Mr. McDonald, tied up with this whole thing is the question of particulars that Mr. Frawley and Mr. MacKimmie



have been asking for. Now, I have tried and counsel, Mr. Cooper, has tried to get the parties together and see if something cannot be worked out in that connection. May I suggest this before we adjourn tonight that the Commission is going to sit in the morning dealing with these motions and questions and cannot counsel here on both sides try to get together tomorrow morning and make it as co-operative as possible so far as the Commission is concerned to see what evidence can be properly adduced. Now, what we can do, what particulars can we grant that are requested on these issues? Perhaps as reasonable men you can work something out because after all you are all as concerned as the Commission is that we get ahead.

MR. McDONALD: Well, as far as I am concerned the Canadian National will co-operate to the fullest extent. We do not want to be asked to go to a lot of expense to supply and prepare and make studies which we do not think are material but we will explain our position.

THE ACTING CHAIRMAN: Of course, the question of expense enters into Mr. Frawley's and Mr. Mauro's and Mr. MacKimmie's considerations; it is right across the board. After all, is it unreasonable for us to ask counsel to get together and see if they can come up with anything? We plead with them to come up with something to make progress.

MR. McDONALD: We will be very glad to as far as I am concerned.



MR. SINCLAIR: Mr. Chairman, I am prepared to listen to counsel outside in an informal conference. I will listen, see what they have to say and then I will get instructions because I think we have done too much in giving them information and it may have spoiled them.

THE ACTING CHAIRMAN: May I ask you to go another mile?

MR. SINCLAIR: There are only so many miles you can go and then you come to the end of the road.

MR. DOHERTY: Mr. Chairman, may I, speaking on behalf of the province of Saskatchewan, associate myself with the motions which have been made to defer ~~cross-examination~~ until after the Western hearings.

THE ACTING CHAIRMAN: Well, we will adjourn now until 2 o'clock tomorrow afternoon.

---Whereupon the hearing adjourned at 5.05 p.m.
to resume at 2.00 p.m., Friday, December 11, 1959.

ROYAL COMMISSION

ON

TRANSPORTATION

HEARINGS

HELD AT

OTTAWA

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ROYAL COMMISSION ON TRANSPORTATION

Proceedings of hearings held in
the Court Room, Board of Transport
Commissioners Offices, Ottawa, Ontario,
on the 11th day of December, 1959.

COMMISSION

Mr. M. A. MacPherson, Q.C.	Acting Chairman
Mr. H. Anscomb	Member
Mr. A. H. Balch	Member
Mr. R. Gobeil	Member
Mr. H. Mann	Member
Mr. A. Platt	Member

COMMISSION COUNSEL

Mr. A. G. Cooper, Q.C.
Mr. G. S. Cumming
Mr. H. W. Ellicott - Advisor

Mr. F. W. Anderson	Secretary
Major N. Lafrance	Assistant Secretary

In the absence of The Honourable
Mr. C.P. McTague, Q.C., Mr. M.A.
MacPherson, Q.C., presided



Ottawa, Ontario,
Friday,
December 11, 1959

---On commencing at 2.30 p.m.

THE ACTING CHAIRMAN: Order, gentlemen. I am sorry we were not in session this morning, but we did not have a wasted morning either. We met with railway counsel, and we also met with counsel opposed, and we think, off the record, we are making progress towards arriving at an understanding.

Both sides, acting with Mr. Cooper, our counsel, as referee, have arranged that experts will meet with railway counsel in due course, and we think that the problem of the motions, which are before us is being narrowed, and we are hopeful that the immovable object and the irresistible force will get together.

We are postponing our ruling in this regard in the hope that something can be worked out. As we have said, we deem it our function as a Commission to get the parties together, and we are not going to make any orders unless we have to. We hope that the good sense and common sense of all the parties will lead to an understanding and agreement.

I do not think I need say anything more at the moment. There will be no ruling on these motions at the present time.

MR. SINCLAIR: Mr. Chairman and members of the Commission, before you formally proceed I wish to say that an article in the Regina Leader-Post of



Tuesday, December 8th last, has come to my attention which, Mr. Chairman, I think is a scandalous article. It is written under the byline of Mr. Robert Moon, and the purport of this article is to suggest that you, sir, are a partisan against the views that might be presented by the railways.

Now, I know that that is wrong. It has been my honour, sir, to appear as counsel for the railways over a good number of years in matters in which you have opposed me, and I look forward to having you oppose me again from the counsel table some day.

I also wish to say that I have had the honour, sir, to act as a junior for people in your firm in Regina.

I think I, among all the railway people here, have spent more time than anyone else on this problem, and speaking for Canadian Pacific -- and I am sure my friends Mr. McDonald and Mr. Macdougall, from the Canadian National, join me in this -- we are most happy to have you as Chairman acting in this matter, and we want to state just as strongly as we can that matters such as this should not be allowed. I am amazed that a newspaperman would have the effrontery to publish such tripe, and I know that the Commission has powers to take action to prevent this type of an attack.

I am speaking because I think of all the people here I can speak with more feeling on this matter than most. That is all I have to say, sir.

MR. McDONALD: We of the Canadian



National, Mr. Macdougall and myself, wish to join in what Mr Sinclair has said.

THE ACTING CHAIRMAN: Thank you.

MR. MacKIMMIE: Mr. Chairman, on behalf of my clients -- I have not seen the article referred to, and it is not often that I find myself in complete agreement with Mr. Sinclair. May I say on behalf of my clients, sir, I expect absolutely no special treatment whatsoever from you as Chairman, or any other Commissioner, than is given to both sides. Anyone who has an appreciation of your character and national reputation I am sure will not seriously attach any weight to the statements which have been made in the newspapers.

I think it is rather a tragedy that a man of your standing should be subjected to a matter of that kind, and I want you to know that while I represent certain interests in western Canada we certainly expect no more at your hands than do the railways.

THE ACTING CHAIRMAN: I wish to thank you, Mr. Sinclair. It is very difficult for me to speak on this, but I thank you.

MR. FRAWLEY: Before the record closes on this I certainly want to associate myself with what Mr. Sinclair and Mr. MacKimmie have said. I find it a little difficult to know what to say. So far as my confidence in your personal integrity, sir, goes, I will say it surpasses that which I have in any person in the whole Dominion of Canada. I think it is a scandal that anyone should for a



moment think that because of your previous association as counsel before the Board of Transport Commissioners you should be considered a partisan in the remotest degree in presiding over the destinies of this Commission. Speaking for the people of Alberta I resent it very, very much.

MR. MAURO: Mr. Chairman, I certainly want to join on this very infrequent occasion with my learned friends from the railways in support of the statement made by my learned friend Mr. Sinclair, and joined in by other counsel.

I, as a somewhat junior barrister appearing before this Commission, recall the parting words of my premier when I left to attend my first great case, some sixteen or seventeen months ago. The direction at that time was that if one could look to M. A. MacPherson of Regina one could not go far wrong in regard to the contribution or to the integrity of the Board, generally.

I think if the comments were not so tragic in their implication they would be comic. I think it is only fitting to have counsel appearing before this Commission and who represent, as we do, all of the people of this country, make it very clear that in our estimation the deliberations of this Commission are in good hands, and we place in you the confidence of the people of Manitoba that there will be no unfairness or prejudice; that we come before you knowing that your final deliberations and decisions will be in the best interests of the whole country,



and that only those decisions will receive your attention.

MR. DOHERTY: Mr. Chairman, speaking on behalf of the Province of Saskatchewan I would like to associate myself with what Mr. Sinclair has said, and with what counsel ahead of me have also said. I am sure this Commission enjoys the complete support of everyone here, and of the public.

MR. McKICHAN: Mr. Chairman, on behalf of my clients I would like to associate myself with the remarks made by all the other learned counsel in this regard.

COMMISSIONER MANN: Mr. Chairman, you have said it is very difficult for you to speak on this matter. It is somewhat less difficult for your colleagues, however, to speak on it, and I know that I am speaking on behalf of your colleagues, sir, when I say, in the first instance, that we were stunned in the extreme when we saw the article. We are much assured, however, by the words which have just been said -- and, in fact, nothing else could have been said -- in this court room. We have been most fortunate -- and I am not saying this to you, sir, as much as I am saying it to everyone here -- in being able, in the absence of Mr. McTague, to have you Chair our deliberations both in this court room and outside the court room.

Certainly we have seen no evidence -- not one shred of evidence -- of any partisanship whatever, and I am most happy to say on behalf of my colleagues



that we appreciate very much the remarks that have been made by all the counsel here reaffirming their confidence in our Acting Chairman and, indirectly, their confidence in the Commission.

THE ACTING CHAIRMAN: Thank you very much, everybody. After living some years in this country and trying, I hope, to be a good citizen it is most refreshing to have the confidence of your fellows.

Mr. McDonald?

MR. McDONALD: If it pleases the Commission, I will now call Mr. R. A. Bandeen.



ROBERT ANGUS BANDEEN, called

DIRECT EXAMINATION BY MR. McDONALD:

MR. McDONALD: To shorten this I will give an outline of Mr. Bandeem's history. He was born in a good part of the country, by the way, at Rodney, Ontario, on October 29, 1930. He was educated at primary and secondary schools in Ontario from 1936 to 1948. He attended the University of Western Ontario from 1948 to 1952. He took the Honours Course in Economics and Political Science which terminated with an Honours B.A. He then attended Duke University, which, I understand, is in North Carolina, from 1952 to 1955, and he was granted the degree of Doctor of Philosophy in 1959 in the field of Economics and Statistics.

His railway experience is that he was appointed assistant economist, Research Branch, Department of Research and Development, Canadian National Railways in September, 1955, and remained in that position until May 1956. He was engaged as a research statistician, Economics Branch, Department of Research and Development, Canadian National Railways, from May 1956 to December, 1958. He was then appointed senior staff officer, Planning, Department of Research and Development, Canadian National Railways, in January, 1959, which position he occupies at the present time.

Q. Is that correct, Mr. Bandeem?

A. That is right.

Q. Now, can you tell me if you belong to any professional associations?



A. Yes, I belong to the American Statistical Association; the Econometric Society; the American Economic Association; the Operational Research Society of America; and also the Canadian Operational Research Society.

Q. Did you have charge of the cost study of the grain traffic?

A. Yes, sir.

Q. In the year 1958?

A. Yes.

Q. And did you prepare a precis of evidence covering the method used to develop the cost of handling grain traffic moving at statutory and related rates, and the results of the cost study?

A. Yes, that is correct.

Q. That was prepared by you, or under your direction?

A. Under my direction.

Q. And is that correct subject to any changes which you will point out as you are giving your evidence?

A. Yes, that is so.

MR. McDONALD: I will file this as an exhibit.

MR. COOPER: It will be Exhibit 57.

---EXHIBIT NO. 57:

Document entitled "Precis of Evidence of Canadian National Railways: Section IV and Section VII; Statutory and related rates on grain and grain products in Western Canada"; pages 1 to 40 inclusive.



MR. McDONALD: Q. Then, Mr. Bandeem, I will let you go ahead and ask you to explain this cost study following your precis of evidence, and to make whatever explanations you see fit as you go along, and I would like you to point out any changes or corrections which have been made since this document was filed and distributed.

A. Canadian National has been doing costing for many years both as an aid for internal management and for presentation before the Board of Transport Commissioners. However, the costing of a segment of traffic as large as grain and grain products moving at statutory and related rates provided an opportunity for the further refinement of costing techniques.

The method adopted to secure the variable cost of grain and grain products moving at statutory and related rates (afterwards called study traffic) on Canadian National involves four basic procedures:

- (a) Collection of basic statistics relating to movement of the study traffic to establish revenues, gross ton-miles, car-miles-loaded and empty, and car days.
- (b) Field studies to establish times required in switching the study traffic.
- (c) Analysis of railway primary expense accounts to determine variable operating expenses.



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(McDonald)

- (d) Analysis of plant, investment therein,
and operating expenses thereof, occasion-
ed by movement of the study traffic.

(Page 2189 follows)



(a) Collection of basic statistics relating to movement of the study traffic to establish revenues, gross ton-miles, car-miles loaded and empty, and car days.

Introduction

The primary objective was to produce tonnage, number of cars, net ton miles, car miles and revenue for grain and grain products moving at statutory and related rates (commonly called Crowsnest rates) destined to the following grain terminals:

Lakehead (Fort William and Port Arthur, Ont.)

Armstrong, Ont.

Churchill, Man.

Vancouver, B.C.

New Westminster, B. C.

Victoria, B.C.

Prince Rupert, B.C.

Grain products result from the milling of grain in transit at the following locations:

Winnipeg, Man.

Saskatoon, Sask.

Regina, Sask.

Moose Jaw, Sask.

Calgary, Alta.

Edmonton, Alta.

A stop-off privilege for milling grain in transit enables the shipper to have his grain stopped in transit at some point to be milled,



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cleaned, etc., and to be re-shipped from that point; but instead of being subjected to two local rates, the goods are carried to one of the above mentioned grain terminals at the through (Crowsnest) rate plus a charge for the stop-off. The stop-off charge for 1958 was 2-1/2 cents per 100 lbs. except for charges accruing on or subsequent to December 1, 1958 when the rate was increased to 3 cents per 100 lbs. The study revenue for this stop-off privilege was based on a constructive year at the 3-cent rate.

What that means is we charge all of the stop-offs for the whole year at 3 cents rather than the first eleven months at 2-1/2 cents.

All grain destined to the export terminals at New Westminster and Vancouver is forwarded at the Crowsnest rate. When any of this grain is subsequently diverted to domestic use the freight charge is at that time upgraded to the standard rate. Appropriate adjustments were made in the study data to take care of upgradings in the year 1958.

What that means is we eliminated from the study any of the grain that moved at a domestic rate.

Under a reciprocal arrangement, grain originating on the Canadian National lines in the Calgary area and destined to Vancouver is turned over to the Canadian Pacific at Calgary for further movement to Vancouver. Similarly, Canadian Pacific grain traffic originating in the Edmonton area and destined to Vancouver is turned over to the



Canadian National for further movement to Vancouver. Upon arrival in Vancouver this traffic is returned to the original carrier. Following are the quantities so handled during the study year:

To Canadian Pacific at Calgary
from Canadian National 3,135 cars 170,237 tons

To Canadian National at Ed-
monton from Canadian
Pacific 3,159 cars 170,139 tons

The study data includes traffic received at Edmonton from the Northern Alberta Railways. In the year 1958 this traffic comprised 3,921 cars and 202,956 tons.

That was only the Canadian National share.

In addition to details of the loaded grain movement, data were also developed for the prior movement of empty cars. Included in these data were the empty car miles, and the empty and loaded car days from which the car cycle was constructed.

The principal results of this study are given below and the methods used to determine these results are described in the pages which follow. In summary the revenue was \$28,652,083.

Now, there is a correction to this revenue; we have included in here by mistake some \$83,694,000 which are inspection charges at all of the export positions except the lakehead. There is a \$2 charge for inspection which we collect and then pass on to the Board of Grain Commissioners, I



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believe, and due to an oversight we left it in.
It is in our accounting records, and it was left
in, so there should be a reduction of \$83,694.00
which will give you a new revenue figure of
\$28,568,389.

MR. MAURO: I notice that you refer, Mr.
Bandeem, to statement NR 1-16.

MR. McDONALD: We will come to this.

THE WITNESS: I will explain that; I come
to that statement in the text further on, and this
is just a summary at the beginning.

MR. MAURO: I am sorry.

THE WITNESS:

Number of carloads	132,246	(Statement NR 1-16)
Loaded car miles	116,998,374	"
Empty car miles	67,010,564	(Statement NR 1-28)
Revenue ton miles in thousands	5,957,631	(Statement NR 1-16)
Gross ton miles in thousands	9,974,546	
Revenue per ton mile	0.48¢	(Statement NR 1-16)
Revenue per loaded car mile	24.5¢	

Neither of these figures change with the
reduction in revenue, because the reduction is
small enough that it is not reflected.

Method.

Each Operating District, Division and Sub-
division on the Western Region was assigned a code
number. Subdivisions were arranged in alphabetical
order and numbered in sequence. (Statement NR 1-1).



Now, we have an example of the work sheet which we would like to put in as an exhibit; it is called Statement NR 1-1.

MR. COOPER: Mr. Chairman, I think it would be more convenient if we gave that NR 1-1 Exhibit No. 57-A; they are all in the same book, and now that we started with Exhibit No. 57, perhaps we can carry on.

THE ACTING CHAIRMAN: It would be less confusing.

MR. COOPER: Yes, it would be less confusing.

MR. McDONALD: This will be Exhibit 57-A.

---EXHIBIT NO. 57-A: Statement NR 1-1.

THE ACTING CHAIRMAN: How many are there, 26?

THE WITNESS: Yes.

MR. COOPER: We can go back to AA, BB, CC; that will offer no problem.

MR. McDONALD: Q. Is there anything further you want to say about this Exhibit 57-A.

A. No, I think this exhibit is descriptive; it is just an example of the work sheet and how we do our coding in order to facilitate the recording of this data. There are approximately 145 subdivisions in the Western region and we had to go back to each one, so it is just our method of coding.

Q. And this deals with what subdivision?

A. Well, it is just an example of the first sheet only showing districts, divisions and subdivisions.



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(McDonald)

Where the point of origin and destination on source data was reported by station number and not name, data sheets were prepared which related these station numbers to their respective division and subdivision. Prior to June 1, 1958 Canadian National stations were assigned four figure numbers. Following the adoption of machine methods by the Revenue Accounting Department on June 1, 1958, a new system of allocation was adopted and new five figure numbers assigned. (Statement NR 1-2).

Again, that is a working sheet which is an attempt to show you how we were keeping the data straight in our records. The originating station is given the code number in our internal records, and we had to sort them so they would come into the proper subdivision of the Western region.

---EXHIBIT NO. 57-B: Statement NR 1-2.

THE WITNESS: Where the source data were available by station name only, all grain elevators on the Western region were listed alphabetically and their station numbers and subdivision codes were related thereto. (Statement NR 1-3)

MR. McDONALD: This statement, NR 1-3, will be Exhibit No. 57-C.

---EXHIBIT NO. 57-C: Statement NR 1-3.

MR. FRAWLEY: I hope this doesn't come



under the heading of cross-examination, Mr. Chairman, but there seems to be a little confusion; 57-B is Sheet 1 of 3.

THE WITNESS: That is right.

MR. FRAWLEY: And then the next one is Sheet 1 of 14?

THE WITNESS: Yes. We didn't include all of them; it is just to give you an example of the way it was carried out. We can supply all of them very easily, although I don't think it is necessary. These are just put in as examples of the work.

MR. McDONALD: Q. At the top of page 4 it says that all of the exhibits attached are facimillies of original data. Proceed.

A. For the purposes of this study, Division Diagrams showing the location and limits of each subdivision were prepared. (Statement NR 1-4), which is one sheet of several, but this was a diagram drawn up so that we knew the exact limits of subdivisions and it was needed for routing and other purposes in the study, and that will be Exhibit 57-D, I believe.

---EXHIBIT NO. 57-D: Statement NR 1-4.

THE WITNESS: All study traffic data were produced separately for each subdivision, for traffic moving to each of the seven grain terminals. Milling in transit data were similarly produced for each of the six milling points.



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I want to say here that when I say seven grain terminals, we are thinking of Armstrong as one of the seven, and I grant you it is not a terminal, but for the purposes of this study traffic it bears the Crow's Nest rate, and I believe it is considered an export position, and rather than make a distinction each time we just refer to grain terminals.

With the exception of grain milled in transit, data covering Crowsnest traffic by originating and terminating stations, commodity, number of cars, tons and revenue were compiled from the Monthly Freight Revenue and Statistics Report of the Revenue Accounting Department (Statement NR 1-5). That will be Exhibit 57-E.

---EXHIBIT NO. 57-E: Statement NR 1-5.

THE WITNESS: This is just an example, actually, for each carload; for each waybill we had punched an IBM card, and this is a summary of the card.

This report is a monthly summation of Crowsnest grain waybills. (Statement NR 1-6), which will be Exhibit 57-F.

---EXHIBIT NO. 57-F: Statement NR 1-6.

THE WITNESS: That is an example of one of our waybills, and for accounting purposes they



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are recorded on the IBM cards and summarized in the statement immediately preceding.

These data were abstracted and transcribed on a form specifically designed for study purposes. An example is given in NR 1-7, which will become Exhibit 57-G

---EXHIBIT NO. 57-G: Statement NR 1-7.

THE WITNESS: I will have more to say about that as we go on in the text, and that was just a form which allowed us to summarize for each subdivision by each terminal. The one given here is terminal destination Fort William, and this again is Sheet 4 of 4; it is just an example. We have in the working papers all of this, but as you can imagine, they are voluminous, but that is a particular working paper.

As previously indicated, separate forms were prepared for each subdivision for traffic moving to each grain terminal. In addition to the data abstracted from the Freight Revenue reports, statement NR 1-7 -- that will be Exhibit 57-G.

MR. COOPER: NR 1-8 is 57-H.

THE WITNESS: No, it is NR 1-7, and it is 57-G. It is designed to record the subdivision limits; variations in direction of movement; the length of haul from point of origin to connecting subdivisions; as well as the computation of net ton miles and car miles. Provision is also made for the subsequent routing of traffic to its final destination.



A field study was conducted to ascertain the normal routing of Crow's Nest grain between country elevators and destination, the kind and frequency of service, and the class of power used. Each Division Superintendent's office was visited and precise information was obtained from the Division's Chief Dispatcher; and this is statement NR 1-8, which becomes 57-H, and this is the information which we used to tell the routine of traffic which originated in each subdivision, and it shows the grain terminal, the destination, and the direction of traffic and the connecting subdivision. We also recorded here the way freight service, but we didn't use that. We have used a fully-dieselized operation, and the way freight service was used only to check our other data. Chief among the several uses of this form was the determining of ton miles and car miles.

---EXHIBIT NO. 57-H: Statement NR 1-8.

Distance Tables were prepared for each subdivision showing both old and new station numbers, stations names, and road mileages. Where required for the purposes of alternative routing, area mileages are shown; and this is statement NR-1-9, which becomes 57-I. Again this just shows mileages from the junctions. A particular example is the Duck Lake junction, and it shows the miles for the Aberdeen subdivision, and if it was picked up at any one of these stations, that would be



the number of miles, before it got off the originating subdivision.

---EXHIBIT NO. 57-I: Statement NR 1-9.

Appropriate road miles were then entered against each listing on Statement NR 1-7, which is 57-G. Where traffic moved to more than one connecting point on a subdivision, the road miles associated with the alternative routings were appropriately identified. From these data it was possible for skilled comptometer operators to compute the net ton miles, car miles, and the traffic totals.

Milling in Transit.

While the figures for revenue, cars, and tons of grain moving directly to the grain export terminals were readily obtainable from existing records, this was not the case with respect to grain milled in transit. In order to produce these milling in transit data it was necessary to make a field study at each of the milling points.

Two waybills are prepared for each car of grain milled in transit. I should say two at least. The first one covers the inbound shipment from country elevator to the mill; and the second, a transit waybill, covers the outbound movement from mill to final destination. Similarly, a transit waybill is shown in Statement NR 1-10, which becomes 57-J, and this is just an example of a transit waybill on the Canadian National. The revenue figures are a bit confused on this particular



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waybill; they have switching revenue in there. We did not include the switching revenue, nor did we include the expense of switching when it was in this particular category. However, in this sample it shows you the switching charts.

---EXHIBIT NO.57-J: Statement NR.1-10

As a concession to the shipper, grain may be moved to the mill at the local mileage rate where this is less than the Crowsnest through rate. In such instances the balance of the through rate is payable when the shipment is outbound from the mill. The stop-off charge is also assessed and included on the outbound movement.

Producing data from milling in transit records required the processing of more than 23,000 waybills. For the purpose of recording these data a form was designed to show complete details of both the inbound and outbound movements. Also included were the details of the movement of grain in and out of Government elevators; and this is the Statement NR 1-11, which becomes 57-K. This form again is just a one sheet of many which was necessary to record the information for the waybills, but on the left you will see the inbound traffic and recording the car number, originating station, commodity and weight, and in the centre you see freight and other charges, and this is a little bit misleading. It may be proper to point out that the column captioned "S/O charge" is perhaps a bit misleading. Only the narrow column captioned "Rate" applies to the stop-over charge;



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the other column, "Amount" was the balance of through rate charges, etc. The outbound shows the car number and so on in the second column.

---EXHIBIT NO. 57-K: Statement NR 1-11.

Details of the Milling in Transit traffic were extracted from the records of the Local Freight Agent at the milling point. These records comprise the inbound waybill, outbound transit waybill and the freight bill (commonly called the expense bill or the invoice for the freight.) It will be noted that against each inbound entry a Pro number is entered. This is a progressive numbering system used for reference purposes. Inbound waybills and their related expense bills are filed in pro number sequence and inasmuch as the applicable pro numbers are also shown on the outbound waybill it is therefore possible to match each document with its counterpart.

On the transit waybill, the following inbound billing details are shown:

- (a) The car number
- (b) Originating station
- (c) The waybill number
- (d) Waybill date
- (e) Pro number
- (f) Freight rate
- (g) Weight (in pounds) which is being cancelled out of the inbound shipment



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I was adding this because in some of the discussions with the experts of Mr. Frawley and Mr. Mauro they were having difficulties. This milling in transit is handled somewhat differently there, and in an attempt to clarify it for them I was just adding this.

From these data statement NR 1-7 was compiled for the inbound movement to each milling point in precisely the same manner previously described for grain moved directly to export terminals. Thus was developed the cars, tons, ton miles and car miles for the first portion of the milling in transit movement.

By summation of the outbound data, the number of cars and tons destined to each of the export terminals was developed and a statement showing inbound traffic totals related to outbound grain terminal totals were prepared; and this is statement NR 1-12, which becomes 57-L. These totals were transferred to appropriate subdivision sheets.

---EXHIBIT NO. 57-L: Statement NR 1-12.

I think that particular exhibit is self-explanatory.

Some 8,888 cars containing 467,132 tons averaging 52.6 tons per car were inbound by rail to mills and Government elevators and 14,430 cars containing 495,747 tons averaging 34.4 tons per car were outbound to export grain terminals. The



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difference between the inbound rail weight and the total outbound weight is occasioned by local truck deliveries; 20,984 tons to mills at Saskatoon and 7,631 tons to mills at Edmonton.

Throughout all phases of the production of basic data rigid control was exercised over both the quality and accuracy of the work. Much of the work design was planned to be self-balancing. Where this was not possible, frequent checking was resorted to. This was particularly true of revenues, which were checked against the published Grain Tariffs.

Q. Would you explain what you mean by "self-balancing"?

A. Well, an example of the self-balancing feature of the basic data structure is to be found in the recording of originated cars and tons on a subdivision basis and their subsequent routing. The sum of the subdivisions for a particular grain elevator equals, for example, the cars and tons shown as arriving at the export position, and we had information on the cars and tons arriving at the export position.

A summary of the originated cars, tons and revenue was prepared for each grain terminal and each milling point; and this is statement NR 1-13, which becomes 57-M.

---EXHIBIT NO. 57-M: Statement NR 1-13.

These summaries provided a check on the total cars and tonnages arriving at the export



grain terminals.

This particular exhibit will show you the cars, the tons and the revenue for each subdivision which originated grain going to the lakehead in this particular case, but we had it separately for all of the export terminals.

Development of net ton miles and car miles.

Routing of traffic from point of origin to destination includes the transfer of originated traffic to connecting subdivisions. To minimize complexity, a routing diagram was prepared for each grain terminal and each milling point; and this is Statement NR 1-14, which becomes 57-N.

---EXHIBIT NO. 57-N: Statement NR 1-14.

I would like to explain this a little bit. If you could take something like the Duck Lake subdivision, which is 049, and it is about half way down the page and a little bit to the right of centre, that shows that traffic comes in from the Blaine Lake subdivision to Duck Lake and goes out to either the Aberdeen or Saskatchewan terminals, and actually in this particular case it is traffic, I believe, below Warman Junction, and from there, to the south of there, it goes to the Saskatchewan terminals, and anything coming north of that would go out over the Aberdeen subdivision and then to the Margo subdivision, and then you are directly on to the main line. One of these was prepared for each subdivision, so



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that we would be able to keep clear our own routing patterns.

When traffic has been transferred to a connecting subdivision it becomes through traffic and was so listed on Statement NR 1-7. Using the procedures previously described, net ton miles and car miles for this through traffic were determined.

If we could go back to NR 1-7, which is Exhibit 57-G, we might note that -- this happens to be the Duck Lake subdivision, and at the bottom we can note that 2,456 cars went out over Aberdeen and only two cars went into the Saskatchewan terminal. About mid-way down the page you see the through traffic on the Blaine Lake subdivision, and it gives the number of cars and the tons, and you can calculate the net ton miles in that subdivision and the car miles. Obviously there would be no revenue taken in because that would be calculated in the Blaine Lake.

The Canadian National and Canadian Pacific advised each other of the details of traffic handled during the year 1958 under the terms of the Reciprocal Grain Agreement. These details were entered on Statement NR 1-7, and then carried on in the same fashion as the other traffic to get ton miles and car miles.

Q. That Reciprocal Grain Agreement, that is the one for the mileage of grain from Calgary and Edmonton respectively to Vancouver?

A. Yes. I think primarily we carry



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from Edmonton to Vancouver the traffic coming over the N.A.R., which is the C.P.R.'s share of the N.A.R. traffic. It is not exclusively N.A.R. traffic, but it is mainly.

(Page 2211 follows)



Canadian National made a field study of Pacific Coast grain which was upgraded to domestic rate during 1958. All traffic so upgraded was removed from the study. Again this is a reference that I have made earlier that traffic moving to the west coast goes under the Crow's Nest rate and only if it is upgraded do they go back and fix the waybill. If we had taken all the Crow's Nest traffic we would have used some of the domestic but we made a point of removing that.

From the information contained in completed statements NR 1-7 the number of cars of Crow's Nest grain and grain products both received and forwarded by the various switching terminals was determined.

In order to amalgamate all of the traffic on each subdivision, a summary form was designed. This summary shows the total number of cars, net tons, net ton-miles, car-miles and revenue, for each export terminal and milling point, separated between originated or through traffic. (Statement NR 1-15). This will be Exhibit 57-0.

---EXHIBIT NO. 57-0: Statement NR 1-15.

This is just the method of summarization for the Duck Lake subdivision. The subdivision totals thus obtained were summarized. (Statement NR 1-16). This will be Exhibit No. 57-P.

---EXHIBIT NO. 57-P: Statement NR 1-16.

This statement also shows the revenue per



net ton-mile and the average haul for study traffic. In answer to the question when I suggested we had left in by mistake the inspection charges for all the terminals except the lakehead, we have not changed the forms but it would be taken out of the total revenue at the last page of this exhibit, page 6 of 6. The total revenue shown there of \$28,652,083 would be reduced to \$28,568,389. We did not make an attempt to go back and take it out subdivision by subdivision because this would have been extremely time-consuming and of no particular pertinence for the study.

Q. What is that figure again?

A. \$28,568,389. In addition, on the bottom of that last page it has the revenue per net ton-mile of 0.48 cents and the average haul in this case 885 miles for C.N.

Q. We would take out the \$85 million?

A. Actually they should be taken out of each subdivision. Each subdivision would have a little grain going to Vancouver -- not each subdivision, but the ones in the west. However, rather than going back and taking it out of each subdivision we say it should come out of the total.

Q. Where is that total?

A. It is immediately above the (b) and you see \$28,652,083; that is the figure that should be reduced. I might say that the reason we found this, again, was on inquiry by our American friends, the experts who are engaged by the provinces. They asked us if there were any other charges in the



revenue besides just haul, and we were under the impression there was not and we were correct about the lakehead, but on checking other terminals we found this one was in. I think their term is an "accessorial" charge.

Now, re the development of empty car-days, empty car-miles and car cycle. Loaded car miles were already available from previously described data. The empty car-miles and both loaded and empty car-days were determined by the use of random samples of the cars loaded. The empty movement referred to is that which occurred prior to loading at country elevators.

In other words, what we did was take a sample of the cars that had been loaded and traced back to see whether they had moved empty and how long they had been empty before being loaded.

The sample cars were selected from all subdivisions tributary to the grain terminal proportionally to the number of cars that such subdivision contributed to the total cars delivered to the grain terminal. This sample was distributed throughout the months of the year 1958 in proportion to the monthly loadings on each subdivision.

For the purpose of recording details of car-days, basic data form CNR 6 was designed. This form subdivides both loaded and empty car days and shows days in transit, days held empty at country elevator, and days held under load at the export terminal (Statement NR 1-17). This becomes Exhibit 57-Q.



---EXHIBIT NO. 57-Q: Statement NR 1-17.

I think that exhibit is fairly explanatory in itself with the loaded movement being recorded on the left hand side of the page and the empty movement in the centre portion and the totals for car days at the right.

To trace the required sample cars for the Lakehead, Churchill, Vancouver and Prince Rupert, Grain Received Record (Form CNR-2035) was obtained from the grain agents at these locations.

Q. Have you stated the number of cars you have taken in the sample?

A. That all comes up in some of the next exhibits. This is statement NR 1-18 and it becomes Exhibit 57-R.

---EXHIBIT NO. 57-R: Statement NR 1-18.

This is just an example of the form we use to select the cars.

This report is compiled daily for cars unloaded and among other details it shows the car number, point of origin, date of loading and date of unload. Cars were traced by searching this record for originating stations located on the subdivisions from which the samples were to be obtained. For the sample cars, the car number, point of origin, date of loading and date of unload were abstracted from the Grain Received Record to statement NR 1-17. This we have already looked at and it is now Exhibit 57-Q.



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Upon completion of selection of this sample these forms were forwarded to the Car Service Department at Winnipeg where the further details of each car movement was traced by the Senior Car Record Clerk.

From existing car records this employee was able to complete statement NR 1-17 as to date loaded at country elevator; date of arrival empty at country elevator; station where empty originated and the date dispatched to country elevator. When all entries had been made, the car days in transit loaded; days held under load at the export terminal; days in transit empty; and days held empty at the country elevator were computed.

To determine what allowance should be made in the car cycle for out-of-service time, the records of the Chief of Motive Power and Car Equipment were examined. This officer maintains a record of all box cars on the Western Region on the 1st and 16th of each month. This record shows the number of 'bad order' cars on these dates subdivided between cars for dismantling and cars for repair. From this record it was determined that the daily average number of box cars on the Western Region was 21,704 out of which number the average number of cars for repair was 1,196. Since cars repaired on the rip track were included in the car days already produced, it was necessary to determine the average number of cars in back-shop. This information was available from a recent study made by the Chief of Motive Power and Car



Equipment which showed that the number of cars for back-shopping was 42.6 per cent of all 'for repair' cars. This percentage was used to determine the average number of Western Region box cars out of service for back-shop repairs. The number thus determined, expressed as a percentage of the daily average number of box cars on the Region, was found to be 2.4 per cent. (Statement NR 1-19).

This now becomes Exhibit 57-S.

---EXHIBIT NO. 57-S: Statement NR 1-19.

Q. Before you leave that point, Mr. Bandeem, there are some terms here such as "back-shop repairs"; what do you mean by that?

A. Well, "back-shop repairs" are the heavy repairs and the "rip track" is work -- again this is my understanding of it, not being in the operating department, but my understanding is the "rip track repairs" are the ones done on the cars without being sent to the shop and the time spent on them would be included in the car days we have already sampled. If it went to the back shop they would not have been included in this and to get an idea what percentage of time by box cars was spent in the back shop we found it to be some 2.4 per cent.

With respect to the cycle for cars delivered to Armstrong, Ontario, sample car numbers were supplied to the Car Service Department in Winnipeg for tracing and a car cycle was produced in the manner previously described for the other grain terminals.



In addition to the collection of the above data a field study was made to determine the number of car days consumed at milling points which would be additional to those determined from car service records. Total time from arrival at milling point until unload, and the later time consumed from the spotting of an empty for loading and its loading, was found to average 24 hours. Accordingly, one day was added to the car cycle for cars carrying grain milled in transit.

Statements showing details of complete car cycle for each grain terminal are marked NR 1-20, NR 1-21, NR 1-22, NR 1-23, NR 1-24. These will now be Exhibits 57-T, 57-U, 57-V, 57-W and 57-X.

---EXHIBIT NO. 57-T: Statement NR 1-20.
---EXHIBIT NO. 57-U: Statement NR 1-21.
---EXHIBIT NO. 57-V: Statement NR 1-22.
---EXHIBIT NO. 57-W: Statement NR 1-23.
---EXHIBIT NO. 57-X: Statement NR 1-24.

Q It looks as though we will not have enough letters in the alphabet.

A. This is just as a result of the samples for each one of the export positions or terminals.

The total number of all car days consumed by Crowsnest traffic during the year 1958 was



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3,547,084. This total was derived by multiplying the car cycle for each grain terminal by the total number of cars delivered to the terminal. Total car days divided by total cars of grain and grain products delivered to export terminals in the year 1958 produces an average car cycle of 26.8 days. A division of total car days by 365 showed that the equivalent of 9,718 box car years were required to handle Crowsnest grain. (Statement NR 1-25). This will be Exhibit 57-Y.

---EXHIBIT NO. 57-Y: Statement NR 1-25.

This computation is necessary to try to get the number of cars, if you wish, and we do not claim there were 9,718 cars in use at any one time but for the average over the year there were 9,718 cars in use in the grain service.

MR. McDONALD: Mr. Chairman, it is now three-thirty; do you wish to take a recess?

THE ACTING CHAIRMAN: Yes, I think so. We will adjourn for just a short time because as many of our people wish to catch trains and planes we will be adjourning at four o'clock.

---Short recess.



MR. MACDOUGALL: Q. Mr. Bandeem, you were speaking about Exhibit NR 1-25, I think, when the recess came?

A. That is right. This is now Exhibit 57-Y, and, actually, there is an addition which may clarify it. At the bottom of the page where we refer to 9,718 cars it would probably be better if we referred to that as car years. It is in the same thought as car days, but car years makes it more understandable.

Q. Is there any further explanation you wish to make of that exhibit before you proceed, Mr. Bandeem?

A. No. I think, again, it is self-explanatory. We have the number of cars multiplied by the car cycle to get the number of car days.

Q. And then you do the mathematical division and divide by 365 to get this figure of 9,718 car units?

A. Yes, that is right.

Q. Would you continue, then, with your evidence, please?

A. Empty car miles were determined for the same sample of cars as were used to ascertain empty car days. A form was designed on which was transcribed the car number, the station where the empty originated, and the country elevator to which the empty car was destined. Against each of these entries was shown the subdivision over which the empty moved to its destination. That



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is Statement NR 1-26, which will become Exhibit 57-Z.

Just as an example, on the left-hand side of the page in the first column you have the car number and the station at which it originated empty, and the code number of the subdivision of that station. As you move to the right it shows that the first one went over subdivision 009, subdivision 123, subdivision 105, and it terminated at subdivision 052 at the country elevator. As you can see some of them were loaded exactly where they were unloaded, and the third line, Prince Albert, is an example of this. It was unloaded at Prince Albert and loaded again with grain without any movement or car days empty.

---EXHIBIT NO. 57-Z: Statement NR 1-26.

THE WITNESS: For each grain terminal these routing data were transcribed to a "mileage by direction" form. This is NR 1-27, which becomes, I guess, Exhibit 57-AA. Separate forms were prepared for each subdivision showing:

- (a) originating subdivision
- (b) the two connecting subdivisions
- (c) the subdivision of final destination.

With this information it was possible to determine:

- (a) the empty car miles on the subdivision
- (b) the direction of the traffic
- (c) whether the car was to be classified as 'local', 'through', or 'partly through' traffic.

Cars which originated or terminated on a subdivision



were classified as 'local'. Cars moving over the entire length of the subdivision were classified as 'through' and all remaining cars as 'partly through'.

Now, statement NR 1-27 demonstrates this, and it also demonstrates that it is possible to err on these things. Under 'through' we have listed in the third line a shipment which really should be 'partly through'. However, this is an error in transcription, and does not affect the overall mileage or any of the costing.

MR. MACDOUGALL: Q. Would you give us the necessary change to make on it?

A Yes, the 74 in the third line should appear as 'partly through'.

Q. Under 'west'?

A Yes, under 'west', but this particular subdivision, Duck Lake, has a peculiarity in that there are two which can be 'partly through'; one which has 12 miles, and one which has 74 miles. However, it makes no difference whatsoever in the costing. Again, this was brought out by Mr. Mauro's and Mr. Frawley's American experts.

MR. MACDOUGALL: You can see, sir, that we are getting considerable help from these gentlemen already.

THE ACTING CHAIRMAN: Yes, I think so.

MR. MAURO: Well, if that is the biggest contribution they can make, Mr. Chairman ---

MR. MACDOUGALL: We hope for much more than that, Mr. Chairman.

Q. Go ahead, Mr. Bandeem.



A. When the total empty car miles for each subdivision were thus determined for the sample, the total was expanded by the factor:

Total all cars arriving at Grain Terminal

Number of cars sampled

to produce total Crowsnest empty car miles for the subdivision.

Again, I want to make an explanation which, again, was brought up by our American friends. At the bottom of the page NR 1-27 we are showing how this is carried out by putting the total of all cars arriving at the grain terminal over the number of cars sampled, and we show 80,868 over 412, and on the exhibit ---

Q. That figure which you just mentioned is at the bottom of Statement NR 1-27, which is Exhibit 57-AA, Mr. Bandeem?

A. Yes. On our statement NR 1-20, which is Exhibit 57-T we have shown there that the number of cars in the sample at the lakehead is 416, and 4 and 412 are listed on NR 1-27. Actually there were four cars in the sample selected for which the tracing records were not available, so that explains the difference between 416 and 412.

THE ACTING CHAIRMAN: They have been checking you very closely.

THE WITNESS: Well, they have.

THE ACTING CHAIRMAN: The 416 is on Exhibit 57-T, and the 412 is at the bottom of what is Exhibit 57-AA?



THE WITNESS: Yes. Again, this has no effect on the study, but it does clarify the record to have this in.

MR. FRAWLEY: Where is the change in Exhibit 57-T?

THE WITNESS: It is not a change in 57-T. We show the cars as 416. While there were actually 416 selected there were four for which they were unable to complete the tracing, so this should be reduced to 412.

MR. FRAWLEY: So 416 becomes 412?

THE WITNESS: Yes.

MR. MACDOUGALL: Q. Does this have any material effect on the calculations made here?

A. No, it does not -- none at all.

Q. Proceed, then. Do you wish to make any further comment on Exhibit 57-AA before you leave it?

A. No, I think that the rest of it is explainable directly from the exhibit.

---EXHIBIT NO. 57-AA: Statement NR 1-27.

MR. MACDOUGALL: Q. Proceed.

A. A summary statement shows the empty car miles and associated tare ton miles for each subdivision. This is Statement NR 1-28, which becomes Exhibit 57-BB. That just shows for each subdivision the total car miles and the total tare ton miles. This is for empty cars. These were the car miles and the empty ton miles charged to the



grain traffic in 1958.

Q. Exhibit 57-BB shows your total car miles and your total tare ton miles by each subdivision in western Canada; is that correct?

A Yes, that is correct, where grain is moving in 58 of the 145 subdivisions. I believe there are 16 in which there was no grain which originated at or through, and these are primarily subdivisions like the coal subdivisions in Alberta, or what are commonly called the coal subdivisions. I believe there are in total 16 subdivisions which had no grain on them.

---EXHIBIT NO. 57-BB: Statement NR 1-28 (three sheets).

THE WITNESS: A summary of the entire Crow's Nest loaded and empty car movement, by direction of movement and for each subdivision, shows the total number of cars and their equated tonnage for each of the previously mentioned categories, "local", "through" and "partly through". This is in Statement NR 1-31, which becomes Exhibit 57-CC.

MR. MACDOUGALL: Q. How many pages are there in that?

COMMISSIONER MANN: Are there Statements NR 1-29 and NR 1-30?

THE WITNESS: No. There were -29 and -30. We produced them, but, however, they are summarized in NR 1-31. Both of them were some 30 pages long so rather put them in, since they are summarized by NR 1-31, I have removed them. However, we are quite willing to supply them.



MR. MACDOUGALL: It is merely a matter by reducing the bulk by some 50 or 60 pages.

THE ACTING CHAIRMAN: There are quite a few pages in this, also.

THE WITNESS: Yes. I thought the summary was bulky enough as it was. However, if it is of any assistance I will produce them.

This statement will be used to determine the number of trains needed and the direction of movement of the traffic, and the two statements that we removed, I believe, showed the empty and loaded separately. This is just a combination of them, and the purpose it is used for is to determine the number of trains needed. It is not necessary to know it by "empty" and "loaded".

MR. MACDOUGALL: Q. The comment you have just been making is in respect of Exhibit 57-CC; is that correct?

A. Yes.

MR. MACDOUGALL: Yes; Statement NR 1-31 is Exhibit 57-CC.

---EXHIBIT NO. 57-CC: Statement NR 1-31 (22 sheets).

THE WITNESS: Equated tonnage of a train is determined by multiplying the number of cars in the train by the car factor and adding the results to the sum of the tare and contents. The car factor is an allowance for frictional car resistance varying on different subdivisions or runs according to the ruling grade; the principle being that on low gradients the frictional resistance is



a higher proportion of the total resistance than on steeper gradients. By the use of the car factor, the train load is so adjusted that the resistance is the same for all trains of equal equated tonnage, whether composed of fully loaded, partly loaded, or empty cars.

That, again, was put in for our American friends who do not have this type of thing on American roads. We explained it to them rather fully. Our method of making up trains is to use equated tons over the ruling grade, and I am not quite familiar with how the American railroads do it, but I understand from talking to the cost experts that they have a different fashion. However, this is the fashion in which we determine the number of trains in any particular train run.

MR. MACDOUGALL: Q. Would you continue, Mr. Bandeem?

A. Class of equipment used: In order to determine the types of box car used.---

Q. Excuse me for a moment. Did you say "the number of trains in any particular train run", or "the number of cars in any particular train run"?

A. No, we use it for the number of trains -- to determine the number of trains. You see, you get equated tonnage over a particular run, and your motive power is all rated, and your time tables are based on the equated tonnage which they can take over a particular run. This is how you calculate the number of trains which you can get for a number of tons of grain, but this grain is



relatively heavier loading than other traffic, and you will get a larger number of trains. If you just applied it on the basis of tons, you will tend to have more trains allocated to the heavier loading commodity whereas if you take the equated tonnages you will take into account the fact that grain is heavy loading. So, this is used to determine the number of trains.

Q. Thank you very much. I am sure Mr. Balch will understand that.

A. Yes, he would probably be much better able to explain it than I am.

Q. Still, the Commission will have his assistance if they have any trouble in regard to it. Would you go ahead, please?

A Class of equipment used: In order to determine the types of box car used, their average tare weight and average original cost, the serial number of the sample cars in the car cycle data were listed according to classification (steel or steel frame), capacity (40 or 50 ton), and original cost. All of this information was readily obtainable from Company records. These data were then summarized and a consolidated statement was prepared showing the various averages for appropriate car series. This is in Statement NR 1-32, which becomes Exhibit 57-DD.

---EXHIBIT NO. 57-DD: Statement NR 1-32.

THE WITNESS: The important factors



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from this particular exhibit are the last two columns which show average tare weight of the cars used in the grain service as being 21.83 tons, and this is necessary when computing gross ton miles. You have to know this, and also they equate tons in determining the number of trains and the average original cost of the cars used in the grain service, which, in this case, is \$4,448.

(Page 2231 follows)



Q. Did you give any of these figures at the bottom of Exhibit 57-DD? I see you have broken it down between the cars ex country elevators and those ex mills, and between steel frame and steel in each category?

A. Well, the cars from the mills will be different than the ones from the country elevators, because your loading of mill products usually demands a better type car; ordinarily you have a better type car for flour.

Q. Flour goes in one of your high class cars?

A. What they call grade A cars, whereas grain can go in a car of lesser quality.

Q. Mr. Bandeem, just a little further explanation of Exhibit 57-DD; on the left side you have in the first line 402,000 - 464,999; will you explain what that is?

A. Those are our car series numbers.

Q. Those are the serial numbers you see on the side of the boxcars?

A. Yes.

Q. In that group?

A. Yes.

Q. And the 28,882 under 40-ton gives reference, I believe, to the fact that there are 28,882 cars dealt with in this exhibit that are from that group of cars shown on the left-hand side of the page of 402,000-464,999.

A. That is right. I am not familiar



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with this car numbering system, but you can separate out the steel frame and the frame and the 40 and 50-ton cars by numbers.

Q. And I think it is correct to say, Mr. Bandeem, that by checking on a car to see what its number is, you can classify it and see what category it is and its age, etc.

A. Exactly, and you get the original numbers. You will notice the cars out of mills were practically all steel cars; there were 370 cars of the ones out of mills which were steel frame cars, where most of them were steel cars. This reflects a better grade of car that you carry mill products in, whereas in the grain out of the country elevators it looks as if --well, I suppose there would be a few more steels, but primarily they are split between the types of cars.

Q. Is there anything further you wish to comment on on that exhibit?

A. No, I don't think so.

Q. All right, sir; will you continue, please?

A. Subsidiary data: Following the collection of the basic data relating to the movement of the study traffic the following necessary subsidiary data were developed.

Number of trains by train run: To determine the number of trains by train run related to the study traffic an examination had to be made separately of the number of wayfreight trains and



through freight trains operated in Western Canada.

A measure of the work to be done on a way freight run and of the number of trains required is the total carloads originated or terminated on such run. Each wayfreight train run in Western Canada was examined separately to determine the total number of cars originated and terminated on that run during 1958. The number of wayfreight trains required to handle grain was computed for each train run as the ratio of total grain carloadings to total carloads originated and terminated multiplied by the total number of wayfreight trains operated on such run during the year 1958.

The working timetables of the Canadian National list the maximum equated gross tons that can be handled by any given unit of power over the controlling grade for each subdivision for each direction. Records are kept, by direction, for each train run of the average equated gross tons handled per through freight train. This record of actual performance was used to determine the number of through freight trains that were required to handle grain, by train runs, by dividing the total equated gross tons of grain traffic over each run by the average equated gross tons per train for that train run.

Train miles.

The total train miles produced by the movement of grain being studied were obtained by calculating for each train run the number of trains



in both directions multiplied by the train trip miles.

Q. Can you give any further explanation on that part of your testimony dealing with train miles, Mr. Bandeen?

Train Miles.

The number of trains chargeable to grain on each way freight train was multiplied by the trip miles to obtain the train miles on that run due to grain.

The number of through freight trains was calculated using the average equated gross tons handled per through freight train in the controlling direction during 1958. The controlling direction on a train run is that direction in which the ratio of equated gross tons handled to equated gross ton potential i.e. 100 per cent rating, is greatest.

The total equated gross tons of study traffic (loaded and/or empty) moved in the controlling direction during 1958 was divided by the average equated gross tons per train in that direction to obtain the number of trains required in the controlling direction, for the handling of the study traffic.

The number of trains in the opposite direction was taken to be exactly the same number, except for minor corrections due to doubling up of power or dead heading of crews on the return trip. The principle used here is that the study traffic caused the additional operation of trains in the



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controlling direction, and the power and crews must be returned.

As in the case of way freight trains, the number of through freight trains so obtained was then multiplied by the trip miles for that train run to obtain the train miles of through freight trains required to handle the study traffic.

It is noted that in the calculation of train crews wages, the crew must be paid for the return trip regardless of whether or not it returns in service or dead head, i.e., for crews wages, the number of trips in one direction is equal to the number in the other direction. However, there are minor differences in wage rates for the engine crew depending on the number of diesel units on the train, and this was taken into account separately for each direction.

The reason I am adding this is for our American friends.

THE ACTING CHAIRMAN: I think it is very useful.

MR. MAURO: A wonderful explanation.

THE ACTING CHAIRMAN: I think that we will adjourn now.

---Whereupon the hearing adjourned at 4.00 p.m.
to resume at 10.00 a.m., Monday, December 14, 1959.

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